

DOD-IR-96

- (a) Please identify, by amount and account, all consultant costs that HECO has included in 2009 expenses.
- (b) For each item identified in response to part a, please also provide the following information:
 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

Please see the general objection and response to this information request and HECO T-14

Attachment 1 for a summary of the identified professional consultant services.

- a. Refer to Attachment 1, column 96(a).
- b.
 - 1. Refer to Attachment 1, column 96(b)(1).
 - 2. Refer to Attachment 1, column 96(b)(2).
 - 3. Refer to Attachment 1, column 96(b)(3).
 - 4. Refer to Attachment 1, column 96(b)(4).
 - 5. Refer to Attachment 1, column 96(b)(5).
 - 6. Refer to Attachment 1, column 96(b)(6).

DOD-IR-									
96(a)	96(a)	96(b)(1)	96(b)(2)	96(b)(3)	96(b)(4)	96(b)(5)	96(b)(6)		
2009 TY Amt	NARUC Acct	Consultant	Contract	Service Desc / Scope of Work	Total Cost	Amort period (Y/N)	Desc Benefits to Affiliates	Calc Alloc	Comments
64,000	928	Financial Integrity Witness (Steven Fetters)	Attachment 2	Financial Integrity witness for HECO's 2009 test year rate case.	64,000	2-yr period. Note (1) at HECO Exhibit HECO-1403.	2009 test year HECO rate case only.	N/A	Refer to HECO Exhibit HECO-1403 for more information.
189,000	928	Regulatory Support Consultant	Attachment 3	Regulatory support for HECO's 2009 test year rate case.	189,000	2-yr period. Note (1) at HECO Exhibit HECO-1403.	2009 test year HECO rate case only.	N/A	Refer to HECO Exhibit HECO-1403 for more information.
4,500	928	HEI Impact Affidavit (FINCAP INC.)	Attachment 4	To provide an affidavit for HECO's 2009 test year rate case relating to the impact of HEI on HECO's cost of capital.	4,500	2-yr period. Note (1) at HECO Exhibit HECO-1403.	2009 test year HECO rate case only.	N/A	Refer to HECO Exhibit HECO-1403 for more information.
64,000	928	Rate of Return on Common Equity Witness (Roger Morin)	Attachment 5	Rate of Return on Common Equity witness for HECO's 2009 test year rate case.	64,000	2-yr period. Note (1) at HECO Exhibit HECO-1403.	2009 test year HECO rate case only.	N/A	Refer to HECO Exhibit HECO-1403 for more information.
677,000	9302	General Electric	CONFIDENTIAL Attachment 5 of HECO's Rate Case Update (HECO T-14)	Consulting services related to the Oahu Wind Study Phase 1 project. Tasks of consultant listed on Attachment B of Attachment % of HECO's Rate Case Update (HECO T-14).	May range from 677,000 to 701,000. Primarily Tasks 2-5 per Attach A of Attach 5 of HECO's Rate Case Update (HECO T-14)	No	HECO Oahu Study only. However, see HECO's response to CA-IR-351 regarding affiliates' participation. However, HELCO and MECO indirectly benefit from the results of this study.	N/A	Refer to HECO's Rate Case Update for witness HECO T-14 and HECO's response to CA-IR-161 for more information on the costs of this project.
50,000	9302	Hawaiian Agricultural Research Center	CONFIDENTIAL Original and amendment filed at HECO-WP-1407. Phase 3 work not yet executed.	Consulting services related to the Biofuel Agriculture Crop Research Phase 3 project. Refer to page 2 of HECO-WP-1407 for scope of work.	50,000	No	HECO study only. However, HELCO and MECO may indirectly benefit from the results of this study.	N/A	
21,750	9302	eMeter	CONFIDENTIAL Attachment 1 of HECO's response to CA-IR-158	To research and test the capability of eMeter's Energy/IP software platform to support the advanced functionality of smart metering technology from Sensus.	21,750	No	This R&D project performed on Oahu. However, HELCO and MECO indirectly benefit from the results of this study.	N/A	Refer to HECO's Rate Case Update for witness HECO T-14 and HECO's response to CA-IR-158 for more information on the costs of this project.

DOD-IR-									
96(a)	96(a)	96(b)(1)	96(b)(2)	96(b)(3)	96(b)(4)	96(b)(5)	96(b)(6)		
2009 TY Amt	NARUC Acct	Consultant	Contract	Service Desc / Scope of Work	Total Cost	Amort period (Y/N)	Desc Benefits to Affiliates	Calc Alloc	Comments
65,250	9302	eMeter or Itron	Not at this time.	Phase 2 testing of an AMI R&D project which entails Back End Data Exchange and 2-Way Communications development and testing of the preferred MDMS vendor's software system with the AMI system.	65,250	No	This R&D project performed on Oahu. However, HELCO and MECO indirectly benefit from the results of this study.	N/A	Refer to HECO's Rate Case Update for witness HECO T-14 and HECO's response to CA-IR-158 for more information on the costs of this project.
325,700	9302	Luminant	Not at this time.	Research, development and demonstration support of the AMI MDMS to include support for the C&I FlexNet meters and customer presentation options for the Dynamic Pricing Pilot program, demand response programs, and AMR interfaces to the new customer information system.	325,700	No	This R&D project performed on Oahu. However, HELCO and MECO indirectly benefit from the results of this study.	N/A	Refer to HECO's Rate Case Update for witness HECO T-14 and HECO's response to CA-IR-158 for more information on the costs of this project.
75,000	9302	None to date	Not at this time.	Research, development and demonstration support of additional customer presentation options related to AMI.	May range from 70,000 to 225,000. See footnote 4 of page 2 of HECO's response to CA-IR-158	No	This R&D project performed on Oahu. However, HELCO and MECO indirectly benefit from the results of this study.	N/A	Refer to HECO's Rate Case Update for witness HECO T-14 and HECO's response to CA-IR-158 for more information on the costs of this project.
15,000	932	None to date	Not at this time.	Consulting work related to the Ward Baseyard project.	15,000	3-yr period. Refer to Rate Case Update page 19.	HECO only (HECO's Ward Baseyard facility).	N/A	Refer to HECO's Rate Case Update for witness HECO T-14 and HECO's response to CA-IR-348 for more information on the costs of this project.
56,000	549	Steve Kerho	CONFIDENTIAL Attachment 6	Consulting services to research/explain issues pertaining to combustion & emissions, assist in the development of the testing RFP, interpret the fuel characterization data, assist with biofuel temperature issues, assist in gathering & interpreting baseline data and participating in update meetings (phone).	56,000	N	HECO Kahe 3 Biofuel Co-Firing project only. However, HELCO and MECO may indirectly benefit from the results of this study.	N/A	None

DOD-IR-									
96(a)	96(a)	96(b)(1)	96(b)(2)	96(b)(3)	96(b)(4)	96(b)(5)	96(b)(6)		Comments
2009 TY Amt	NARUC Acct	Consultant	Contract	Service Desc / Scope of Work	Total Cost	Amort period (Y/N)	Desc Benefits to Affiliates	Calc Alloc	
18,000	549	None to date	Not at this time.	Design new atomizers for K-3 capable of operating on LSFO & Biofuel with a turnaround from 90 MW to 35 MW. Evaluate optimum spray angle, flow rate, droplet size, supply & return pressures over the entire load range. Fabricate prototype atomizer & evaluate in a spray laboratory using a PDPA.	18,000	N	HECO Kahe 3 Biofuel Co-Firing project only. However, HELCO and MECO may indirectly benefit from the results of this study.	N/A	None
101,000	549	None to date	Not at this time.	Using Computational Fluid Dynamics, model K-3 boiler for use w/biofuel for optimal burner design, low emissions, flame stability, & general combustion optimization.	101,000	N	HECO Kahe 3 Biofuel Co-Firing project only. However, HELCO and MECO may indirectly benefit from the results of this study.	N/A	None
10,000	549	University of Hawaii	Attachment 7	Data acquisition, troubleshooting, repair, monitoring and maintenance of photovoltaic systems of HECO's Sun Power for Schools program.	10,000	N	Although the majority of the consultant's activities are primarily related to sites (schools) on Oahu, there are some outer island schools that are encompassed under this agreement. However, this is a HECO program.	N/A	No adjustment will be made to the 2009 TY rate case due to immateriality of the contract.

**Confidential Information Deleted
Pursuant To Protective Order, Filed on
November 21, 2008.**

DOD-IR-96
DOCKET NO. 2008-0083
HECO T-14
ATTACHMENTS 2-7

Attachments 2 to 7 contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

DOD-IR-97

- (a) Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
- (b) For each item identified in response to part a, please also provide the following information:
 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

The HECO witnesses provide their responses to DOD-IR-97 as set forth in the following pages. With respect to subpart b(1) of this information request, HECO objects to providing "a copy of the related contract" for "all legal costs that HECO has included in 2009 expenses" as the disclosure of the written arrangements with HECO's outside attorneys, which contain the terms and conditions (including rates being charged) under which the legal services will be provided, could negatively impact HECO's ability to obtain services from outside attorneys on a competitive basis and could provide an unfair advantage to the competitors of HECO's outside attorneys. HECO provides the written arrangements with its outside attorneys under the protective order in this docket. It would be impracticable to redact the confidential information as the majority of the information included is confidential so the documents in their entirety are submitted under the protective order.

HECO has various written arrangements with its outside attorneys. HECO and some of its outside attorneys have entered into Attorney Retention Master Agreements ("ARMA") (used as of 2009) or Master Terms for Attorney Retention ("MTAR") (used prior to 2009) (both of which

are used to facilitate the retention of outside attorneys for multiple matters over time) that set forth the terms and conditions (including the rates) under which legal services will be provided. Under the ARMA and MTAR, work is contracted by issuing a Work Authorization, which incorporates the terms of the ARMA/MTAR. The Work Authorization specifies the special terms relating to the particular work, including the scope of work. HECO and some of its outside attorneys have entered into engagement agreements (generally used for the retention in a single matter) that set forth the terms and conditions (including the rates) under which legal services will be provided. One law firm has sent letters to HECO that set forth the rates that legal services will be provided for matters in which the law firm represents the HECO Companies. (There is no written contract specifically for outside services covering the 2009 period. The billing rates are updated periodically by letter, the latest of which is dated June 24, 2008.) Authorization to use outside legal services for specific matters is provided by the Vice President – Legal or the Vice President – Government & Community Affairs.

The requested information is voluminous and available for inspection at HECO's Regulatory Affairs Division office, Suite 1301, Central Pacific Plaza, 220 South King Street, Honolulu, Hawaii. Please contact Dean Matsuura at 543-4622 to make arrangements to inspect the requested information. An electronic version of the requested information is being provided on a compact disc.

DOD-IR-97

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 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- a. HECO obtained all O&M expenses included in the budget for the production block of accounts (areas covered by HECO T-7) that had the expense element 502 (outside services-legal) in identifying the legal expenses. Based on the information obtained and legal costs included in the HECO T-7 update to the test year estimates, HECO provides the requested information in HECO T-7 Attachment 1 of this response.
- b. 1-6. Please see the general objection and response to this information request and HECO T-7 Attachment 1 of this response for a summary of the identified legal services. Attachments 2 and 3 of this response are confidential and are provided subject to the Protective Order filed on November 21, 2008 in this proceeding.

<u>Dept</u>	<u>(a) 2009 TY Amt</u>	<u>(a) Acct</u>	<u>Attorney</u>	<u>(1) Contract (Y/N)</u>	<u>(2) Service Desc / Scope of Work</u>	<u>(3) Total Anticipated 2009 Cost</u>	<u>(4) Amort period (Y/N)</u>	<u>(5) Desc Benefits to Affiliates</u>	<u>(6) Calc Alloc</u>	<u>Comments</u>
SysPlan- PXB	\$ 90,000	NARUC 557- Oth PwrSupply Exp- Operations	Goodsill	N	HECO Request for Proposals for Renewable Projects, Island of Oahu.	\$ 90,000	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	See CA-IR-215. See also Attachment 2 for a June 24, 2008 billing rates letter from Goodsill Anderson Quinn and Stifel.
SysPlan- PXB	\$ 90,000	NARUC 557- Oth PwrSupply Exp- Operations	None	N	HECO Firm Capacity RFO for support of an RFP effort for firm capacity needs.	\$ 90,000	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	See CA-IR-215
SysPlan- PXB	\$ 90,000	NARUC 557- Oth PwrSupply Exp- Operations	None	N	HECO Renewable Energy RFP for support of a potential second RFP effort for renewable energy projects.	\$ 90,000	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	See CA-IR-215
PSSD- PIC	\$ 125,490	NARUC 557- Oth PwrSupply Exp- Operations	See CA-IR-289	See CA-IR-289	Expenses expected to be higher but will not be updated.	\$ 125,490	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	See CA-IR-289
PSSD- PIU	\$ 292,810	NARUC 557- Oth PwrSupply Exp- Operations	See CA-IR-289	See CA-IR-289	Expenses expected to be higher but will not be updated.	\$ 292,810	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	See CA-IR-289
Energy Proj- NG	\$ 25,000	NARUC 546- Oth Pwr Gen- Operations	Goodsill / Alcantar & Kahl	N	Assist with regulatory matters related to filing an application with the PUC requesting approval of the PV Host program	\$ 20,000	N	Alloc 80% Heco, 10% ea MECO & HELCO	HECO = 80% X \$25,000 = \$20,000	See Rate Case Update HECO T-7 and CA-IR-296 for proposed allocation adjustment. See also Attachment 2 for a June 24, 2008 billing rates letter from Goodsill Anderson Quinn and Stifel.
Env	\$ 30,000	NARUC 506- Misc Stm Pwr Exp- Operations	Legal Services - Baker Botts	N	Baker Botts serves as counsel to a group of electric generating companies known as the Class of '85 Regulatory Response Group (Class of '85). The Class of '85 is composed of approximately 30 investor-owned, municipal and co-operative electric generating companies from around the country. Participation in this group provides electric generating companies with a unique opportunity to interact with environmental representatives from other companies, receive the latest insight on emerging issues, and identify and resolve common environmental concerns.	\$ 30,000	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	See Attachment 3 for Purchase Order.
Env	\$ 5,000	NARUC 506- Misc Stm Pwr Exp- Operations	Legal Services - Misc	N	Legal Services - Misc	\$ 5,000	N	Cost not allocated to subsidiaries.	Cost not allocated to subsidiaries.	

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DOD-IR-97
DOCKET NO. 2008-0083
HECO T-7
ATTACHMENTS 2-3

Attachments 2 and 3 contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

DOD-IR-97

- a. Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
- b. For each item identified in response to part a, please also provide the following information:
 1. a copy of the related contract,
 2. an explanation of the scope of work,
 3. the total anticipated charges by calendar year,
 4. a description of any amortization period proposed by HECO;
 5. a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 6. calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- a. HECO Transmission and Distribution, specifically, Distribution Operations, included \$74,630 of outside legal expenses (Expense Element 502) in the AMI Project P0001559 in its 2009 test year estimate. An explanation of this estimated expense has been provided in HECO T-8, CA-IR-2, Attachment 7B, pages 5 and 6.
- b. Please see the general objection and response to this information request. The following information is provided for the outside legal expense identified in part a:
 1. There is no written contract specifically for the outside legal services to support the AMI Project during 2009. The outside legal services are being provided pursuant to a letter that sets forth the billing rates for lawyers that perform work on HECO legal matters (see Attachment 1).

2. HECO listed various AMI Project-related legal services expected to be required during the 2009 test year in its response to CA-IR-219. The scope of those legal services has included or is expected to include (but may not necessarily be limited to): responding to intervention motions; development of a procedural schedule; obtaining any necessary protective orders and agreements; review and preparation of information requests and responses; review and preparation of statements of position; representation of the Companies at an evidentiary hearing (if an evidentiary hearing is held); preparation of post-hearing briefs (if necessary); and responding to other requests of parties or the Commission.
3. It is anticipated that \$74,630 of outside legal expenses (Expense Element 502) for HECO will occur on the AMI Project P0001559 in 2009.
4. All these costs are to be expensed as they are incurred and will not be amortized.
5. These legal expenses support the AMI application for HECO and its affiliates. The \$74,630 of outside legal expenses is the portion allocated to HECO. The shared AMI costs are cost allocated between HECO and its affiliates based on their customer counts as of 12/31/06 (see Table 1 below). The allocation among the three companies, HECO, HELCO, and MECO, was established in 2007 and the 12/31/06 customer counts were the most recent recorded customer counts at that time.

Table 1: HECO/HELCO/MECO Customer Counts

	Customers	Percentage
HECO	292,988	67.45%
HELCO	76,417	17.6%
MECO	64,937	15.0%
Total	434,342	100.0%

6. Based on the customer count distribution noted above, the legal costs calculated for the AMI project in 2009 of \$110,640 (as shown in HECO T-8, CA-IR-2, Attachment 7B, page 5) were allocated to the three companies as follows:

HECO	\$74,630
HELCO	\$19,470
MECO	<u>\$16,540</u>
Total Project Legal Costs	<u>\$110,640</u>

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DOD-IR-97
DOCKET NO. 2008-0083
HECO T-8
ATTACHMENT 1
PAGES 1-3 OF 3

Attachment 1 contains confidential information and is provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

DOD-IR-97

- (a) Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
- (b) For each item identified in response to part a, please also provide the following information:
 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- a. Please refer to the response to CA-IR-2, HECO T-9, Attachment 2, page 5 of 36 for costs, by amount, account, and expense element (EE) included in 2009 expenses. Legal costs are shown in EE 502 and include a base estimate for Outside Services-Legal of \$12,000 derived from historical expenses and Revenue Protection legal services adjustments of \$5,000 and \$9,300, for a total of \$26,300 in 2009.
- b. Please see the general objection and response to this information request. The following information is provided:
 - 1. The outside legal services are being provided pursuant to a master terms for attorney retention. Attached as Attachment 1 to this response is the master terms agreement, which is confidential and provided subject to the Protective Order filed on November 21, 2008 in this proceeding.
 - 2. The services to be provided by an outside attorney include assisting HECO with large or complex bankruptcy petitions and collections recovery.

3. Refer to the response in a. above. For an explanation of the charges, refer to the response to CA-IR-2, HECO T-9, Attachment 2, page 5.
4. Not applicable. All costs are to be expensed as they are incurred and will not be amortized.
5. The legal services do not provide any benefit to HECO affiliates. However, on a case-by-case basis, HECO, HELCO, and MECO may jointly seek representation from the same legal firm if each is identified as a creditor in the same petition.
6. Cost allocation is managed by the outside service provider and each company is invoiced separately.

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DOD-IR-97
DOCKET NO. 2008-0083
HECO T-9
ATTACHMENT 1
PAGES 1-7 OF 7

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DOD-IR-97

- (a) Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
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HECO Response:

a. FOR CUSTOMER SERVICE BLOCK OF ACCOUNTS

Per reference to HECO T-10 response to CA-IR-2, Docket No. 2008-0083, Pages 12-15, no legal costs (expense element 502 – Outside Services-Legal) have been included in 2009 expenses for the Customer Services block of accounts (NARUC 909-912).

DOD-IR-97

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 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- a. HECO obtained all the O&M expenses included in the budget for Account Nos. 920, 921, 922, 923010, 923020 and 926020 (areas covered by HECO T-11-A&G expense) that had the expense element 502 (outside services-legal) in identifying the legal expenses. Also, HECO discovered two legal firms in reviewing the consultant fees budgeted using the expense element 501 (outside services-general) in responding to DOD-IR-96. HECO will include the two legal firms in this response and exclude them in T-11's response to DOD-IR-96. Based on the information obtained and legal costs included in the update to the test year estimates from eleven responsibility areas in the company, HECO provides the requested information in HECO T-11 Attachment 1.
- b. 1-6. Please see the general objection and response to this information request and HECO T-11 Attachment 1 of this response for a summary of the identified legal services. Attachments A through H of this response are confidential and are provided subject to the Protective Order filed on November 21, 2008 in this proceeding.

(a) Amount	(b)(1) Copy of Contract	(b)(2) Scope of Work	(b)(3) Total Anticipated Charges	RA code	(b)(4) Amortization	(b)(5) Benefits to HECO's Affiliates	(b)(6) Allocation
1. \$ 15,000	Attachment A	Legal costs for continued examination of US patent applications; preparing and filing new patent applications related to the Electronic Shock Absorber (ESA).	\$ 24,700	P9S	N/A	Intellectual property developed through this project will benefit the integration of intermittent renewables for HECO and its subsidiaries.	The estimated cost for the legal fees for 2009 is \$24,700. While HECO did not allocate a portion of the legal fees to HELCO and MECO, HECO's test year estimate is less than the amounts expected for the year.
2. \$ 679	None	Legal consultation for CIS project after the project's go-live.	\$1,000 at time estimate prepared.	PEZ	N/A	Legal consultation for CIS project would benefit HELCO and MECO, as HELCO and MECO would also be using the CIS system. Expense in the test year reflects HECO's portion of the fees. Note that this expense will be removed from the test year estimates. See response to CA-IR-323.	HELCO and MECO were allocated \$172 and \$149, respectively of the estimated costs.
3. \$ 5,700	None	Legal fees for the Workforce Staffing and Development area to review and update policies and procedures in response to changes in employment laws, hiring non-U.S. citizens, and expert assistance with Affirmative Action compliance reviews.	\$ 5,700	PFA	N/A	To the extent the policy and procedures apply to the affiliates, the costs are allocated to the affiliates. Expense included in the test year is the amount that is estimated to be HECO's portion for the year.	See response to part b(5).
4. \$ 13,000	None	Initially the amounts were budgeted for the HECO IRP-4 proceeding. However, with the HCEI agreement, the IRP proceeding was closed and HECO is required to develop a Clean Energy Scenario Planning (CESP) Framework. Expense related to legal consultation and review related to HECO's new CESP Framework and legal consultation and support for PUC approval process for the framework.	\$ 13,000	PNP	N/A	The CESP Framework would impact HECO, HELCO and MECO, and legal fees would be allocated to the affiliates. The expense included in the test year of \$13,000 is the HECO's estimated portion for the year.	See response to part b(5).
5. \$ 36,667	Attachment B Attachment C	Legal consultation and support related to the Intergovernmental wheeling proceeding before the PUC. (Attachments B & C) While the Intergovernmental wheeling proceeding has been suspended, there are legal fees being incurred in the decoupling proceeding that was not included in the budget.	\$ 36,667	PNP	N/A	The proceedings would also impact the affiliates, and the legal fees would be allocated to the affiliates. The expense estimate included in the test year is the portion related to HECO.	See response to part b(5).
6. \$ 212,000	Attachment D Attachment E	Legal consultation and support for proceedings before the commission other than for rate cases and capital expenditure proceedings.	\$ 212,000	PNP	N/A	Some of the proceedings would also impact the affiliates, and to the extent they impact the affiliates the legal fees would be allocated to the affiliates. The expense estimate included in the test year is the portion related to HECO.	See response to part b(5).
7. \$ 40,000	None	Legal assistance for Feed-in tariff proceeding as discussed in response to CA-IR-343.	\$ 16,000	PNP	2 year amortization, see response to CA-IR-343.	HELCO and MECO are parties to the proceeding and are impacted by the proceeding. The expense estimate provided in response to part b(3) is the portion related to 2009 based on HECO's proposal to amortize the costs. See response to CA-IR-343.	See response to part b(5); see response to CA-IR-343.
8. \$ 45,000	No	Consultant services from Van Ness Feldman for matters related to federal legislation that affects the utility. (Expense budgeted in expense element 501 outside services-general.)	\$ 45,000	P3V	N/A	Costs related to issues that impact HELCO and MECO would be allocated to HELCO and MECO. The amount included in the test year estimate represents HECO's portion of the costs for the year.	See response to part b(5).

	(a) Amount	(b)(1) Copy of Contract	(b)(2) Scope of Work	(b)(3) Total Anticipated Charges	RA code	(b)(4) Amortization	(b)(5) Benefits to HECO's Affiliates	(b)(6) Allocation
1.	\$ 348	None	Legal fees requires to review documents and other services related to managing HECO's line of credit and commercial paper program. Costs incurred each year vary with the number and complexity of issues that arise.	\$ 682	PKT	N/A	The legal services to be provided are anticipated to benefit HECO, HELCO and MECO, since the work would relate to managing the lines of credit and commercial paper program that supports the short-term borrowings for HECO, which may in turn lend to HELCO and MECO.	The total anticipated charges were allocated to HECO, HELCO and MECO as follows: HECO (\$348), HELCO (\$293), and MECO (\$41).
2.	\$ 31,252	Attachment F Attachment G Attachment H	Legal costs from Hawkins Delafield & Wood LLP ("Bond Counsel") for HECO, HELCO and MECO to retain the bond counsel as legal counsel to provide legal services related to issues regarding special purpose revenue bonds. (Attachment F). Legal costs from Aston Hunt Floyd & Ing ("Aston") in providing the Companies with legal services related to Act 61 compliance, which relates to projects funded using special purpose revenue bonds issued after May 3, 2007 and which under Act 61 became subject to Hawaii's prevailing wage law set forth in HRS Chapter 104. (Attachment G). Legal costs also include services for issues related to managing HECO's various securities expected to be provided by Goodwill Anderson Quinn & Stifel. (Attachment H).	\$ 50,000	PKT	N/A	The legal services to be provided are anticipated to benefit HECO, HELCO and MECO, since the work would relate to managing the securities of all three companies.	See Attachment 2 for HECO's portion of the legal costs, which is provided in response to part a. See Attachment 3 for the calculation showing the allocation of legal costs related to the various securities for HECO, HELCO and MECO.
3.	\$ 12,000	None	Legal fees for the Legal Department for consultation with outside attorneys on various company issues, but not associated with a specific area/project.	\$ 12,000	PNC	N/A	To the extent legal fees incurred impacted the affiliates, the legal fees would be allocated to the affiliates accordingly. The estimated test year amount represents the estimated legal fees that would be related to issues for HECO.	See response to part b(5).
4.	\$ 12,000	None	Legal fees for the Land and Rights of Way Division for consultation with outside attorneys for issues related to easements, complicated prescriptive easement claims, condemnation actions, etc.	\$ 12,000	PNL	N/A	The legal fees relate to HECO Land and Rights of way issues, and would not be applicable to the affiliates.	See response to part b(5).
5.	\$ 75,000	None	Legal fees for grievances and arbitration expenses, and reflects the number of pending arbitration cases in 2009. (See HECO T-11, page 34, lines 5-11)	\$ 75,000	PPI	N/A	The legal fees relate to cases for HECO grievances and arbitration. Costs would not be applicable to affiliates.	See response to part b(5).
6.	\$ 2,090	Attachment H	Professional Services from Goodwill Anderson Quinn and Stifel for legal review of HECO's Annual Report. (Expense budgeted in expense element 501 outside services-general).	\$ 2,090	PAC	N/A	The legal review is for HECO Consolidated Annual Report. The estimated cost is allocated as follows: HECO 80%, HELCO 10%, MECO 10%. Amount included in the test year is HECO's portion of the cost.	See response to part (b)(5).

Hawaiian Electric Company, Inc., 2009 FORECAST - Non-Labor (PKT) - MANAGE FINANCING (826)																				
Description	Allocation of Cost	Code Block (for HECO)												EE	Total					
		RA	Act	Loc	Ind	Prof	Jan	Feb	Mar	Apr	May	June	July				Aug	Sept	Oct	Nov
Pref Stock - general legal	66% HECO, 20% HELCO, 15% MECO												813		813				813	3,252
QUIPS - general legal	66% HECO, 20% HELCO and MECO												750		750				750	3,000
RB - general legal	64% HECO, 19% HELCO, 17% MECO												3,250		3,250				3,250	13,000
Books & Misc	64% HECO, 19% HELCO, 17% MECO												1,500		1,500				1,500	6,000
RB - telecom	64% HECO, 19% HELCO, 17% MECO												1,500		1,500				1,500	6,000
LEGAL		PKT 826	PHE NE	NPKZZZZ	502		0	0	7,813	0	0	7,813	0	0	7,813	0	0	7,813	31,252	

Allocation of Legal Cost					
Revenue Bond allocation:					
		Outstanding (\$ in millions)			
Series	HECO	MECO	HELCO	TOTAL	
1993	50	30	20	100	
1997A	50	20	30	100	
1998A	42.58	7.72	7.2	57.5	
1999A	0	0	11.4	11.4	
1999B	30	9	11	50	
1999C	35	0	0	35	
1999D	16	1	3	20	
2000	46	20	0	66	
2002	40	0	0	40	
2003A	0	0	14	14	
2003B	40		12	52	
2005	40	2	5	47	
2007A	100	20	20	140	
2007B	62	55	8	125	
Total	551.58	164.72	141.6	857.9	
Allocation:					
for RB work	64%	19%	17%	100%	
Preferred Stock allocation:					
			QUIPS allocation:		
	Outstanding (\$ in thousands)	Allocation for Pref Stock work			
HECO	22,293	65%		HECO	30,000
MECO	5,000	15%		MECO	10,000
HELCO	7,000	20%		HELCO	10,000
	34,293	100%			50,000
					100%

**Confidential Information Deleted
Pursuant To Protective Order, Filed on
November 21, 2008.**

DOD-IR-97
DOCKET NO. 2008-0083
HECO T-11
ATTACHMENTS A-H

Attachments A to H contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

DOD-IR-97

- (a) Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
- (b) For each item identified in response to part a, please also provide the following information:
 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- (a) For the Risk Management Division, \$234,011¹ of legal expenses are included in NARUC account 925.02, and \$4,383² in NARUC account 924.

- (b) (1) Please see the general objection and response to this information request and HECO T-12 Attachments 1-3 of this response. There is one attorney retention master agreement and two master terms for attorney retention maintained by HECO's Legal Department for outside counsel providing service to the Risk Management Division. When HECO's Legal Department assigns outside counsel to work with Risk Management liability claims as described in subpart (b)(2) below, they utilize two law firms (Roeca Louie & Hiraoka; and Fukunaga Matayoshi Hershey & Ching) for NARUC 925.02, and one law firm (Taylor Leong & Chee) for damaged property claims in NARUC 924.

¹ See HECO-1204, page 1, line items "Gen Liab Legal PD" of \$39,810, "Gen Liab Legal BI" of \$182,535, "Gen Liab Legal Reserves" of \$11,453, and "Auto Liab Legal Reserves" of \$213.

² See HECO-1202, page 2, line item "OH/UG Collect Exp."

- (2) Scope of work entails defending the Company from public liability claims and assisting with the collection of repair costs from parties responsible for damaged HECO property.
- (3) Please see subpart (a) above.
- (4) The legal costs included in the 2009 test year estimate represent the projected amount of annual legal fees for calendar year 2009 and are not amortized.
- (5) These legal services utilized by HECO do not benefit any affiliated companies.
- (6) Not applicable.

**Confidential Information Deleted
Pursuant To Protective Order, Filed on
November 21, 2008.**

DOD-IR-97
DOCKET NO. 2008-0083
HECO T-12
ATTACHMENTS 1-3

Attachments 1 to 3 contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

DOD-IR-97

- (a) Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
- (b) For each item identified in response to part a, please also provide the following information:
 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- a. Legal costs included in 2009 test year expenses are \$37,277 for account no. 926000 related to the administration of pension and welfare benefit plans.
- b.
 - 1. Please see the general objection and response to this information request. The engagement agreement with the law firm of D'Amato & Maloney, LLC is currently being reviewed and has not been finalized.
 - 2. The legal services provided are related to the administration of pension and welfare benefit plans. Services include but are not limited to assistance with claims, compliance with regulations and plan amendments.
 - 3. See response to part (a).
 - 4. Not applicable.
 - 5. Legal services provided in conjunction with the administration of employee pension and welfare benefit plans benefit all HECO affiliates since they are covered by the same plans. Amounts are allocated among all affiliates and billed directly to each affiliate. Amounts included in the 2009 test year represent HECO's portion.
 - 6. Allocation percentage (by employee or participant count) is provided to D'Amato & Maloney, LLC.

DOD-IR-97

- (a) Please identify, by amount and account, all legal costs that HECO has included in 2009 expenses.
- (b) For each item identified in response to part a, please also provide the following information:
 - (1) a copy of the related contract,
 - (2) an explanation of the scope of work,
 - (3) the total anticipated charges by calendar year,
 - (4) a description of any amortization period proposed by HECO;
 - (5) a description of whether and how the consulting services provide any benefits to HECO's affiliates; and
 - (6) calculations showing the allocation of such costs between HECO and its affiliates.

HECO Response:

- a. HECO has budgeted \$540,000 of legal fees (Goodsill) for the 2009 test year rate case.

Attachment 1 contains the billable rates for service from Goodsill. The amortization of these fees, together with other regulatory commission expenses, are recorded in NARUC 928, "Regulatory Commission Expenses." There are no legal expenses budgeted in NARUC 9301, 9302, 931 and 932. The 2009 test year rate case amount of \$540,000 covers legal fees in 2008 and 2009. Please see HECO T-14 response to CA-IR-2, Attachment 2, page 6.
- b.
 - 1. Please see the general objection and response to this information request. There is no written contract with our outside attorneys for the 2009 test year rate case.
 - 2. The services are for legal work related to HECO's 2009 test year rate case. The scope of work includes: 1) assisting and preparing application, direct testimonies, exhibits, and work papers; 2) assisting and preparing responses to information requests; 3) preparing for an evidentiary hearing; and 4) representing the Company at an evidentiary hearing, and preparing post hearing written briefs.

3. HECO anticipates incurring approximately \$540,000 of legal fees for 2008 and 2009.
4. HECO proposes to amortize these costs over a 2-year period. Refer to HECO-1403, note 1 for additional information.
5. The services relate to HECO only.
6. Not applicable.

**Confidential Information Deleted
Pursuant To Protective Order, Filed on
November 21, 2008.**

DOD-IR-97
DOCKET NO. 2008-0083
HECO T-14
ATTACHMENT 1
PAGES 1-3 OF 3

Attachment 1 contains confidential information and is provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

DOD-IR-106

Does HECO or its affiliates have any studies in the past three years through 2008 of how its provision of employee benefits compares with other utilities and/or other companies? If not, explain fully why not. If so, please identify and provide a copy of all such studies.

HECO Response:

HECO participated in the 2007 Energy Services BENVAl[®] study (“BenvAl[®] Study”) conducted by Towers Perrin. This comprehensive survey analyzes our total employee benefits program and each plan compared to other utility companies in a comparable revenue grouping. The BenvAl[®] Study contains confidential vendor, research and/or other nonpublic information, the redaction of which would not be reasonably practicable, and which if made public, would subject Towers Perrin to a competitive disadvantage. As a result, the BenvAl[®] Study has been designated as confidential information and is being filed in its entirety under protective order. A copy of this study is provided in Attachment 1 of this response.

In addition, for confidentiality purposes, individual companies are identified by a company code. HECO’s company code is [REDACTED]. The company code is confidential and is provided pursuant to the Protective Order filed on November 21, 2008 in this proceeding.

Attachment 1 contains confidential information and is provided subject to the Protective Order filed on November 21, 2008 in this proceeding.

Attachment 1 is voluminous and available for inspection at HECO's Regulatory Affairs Division office, Suite 1301, Central Pacific Plaza, 220 South King Street, Honolulu, Hawaii. Please contact Dean Matsuura at 543-4622 to make arrangements to inspect the document. An electronic copy of the requested information is being provided.

DOD-IR-122

HR Suite Project.

- (a) Provide all information HECO relied upon for a 12 year amortization period.
- (b) Please identify each item of software and systems that the HR Suite would replace.
- (c) For each item identified in response to part b, please identify when it was first placed into service.
- (d) What does HECO anticipate would happen at the end of year 12 of the amortization period that would render the HR Suite unusable?
- (e) Explain in detail the employee self-service function of the HR Suite.
- (f) Is the employee self-service component expected to produce any cost savings? If not, explain fully why not. If so, please identify the anticipated cost savings.
- (g) Is the HR Suite expected to be more efficient than the current systems HECO is using? If not, explain fully why not. If so, please identify, quantify and explain the efficiency improvements that the HR Suite will produce.
- (h) Please show in detail the monthly amounts of AFUDC and how the monthly amounts of AFUDC for the HR Suite Project were calculated. Provide the AFUDC details for the period commencing with the first accrual of AFUDC for this project through the anticipated completion date.
- (i) Please provide a history of the cost overruns and budget increases related to the HR Suite Project from its inception through 2009.
- (j) Please provide a history of the slipped deadlines and project delays related to the HR Suite Project from its inception through 2009.
- (k) Does HECO or HEI management take any responsibility for any of the cost overruns and budget increases related to the HR Suite Project from its inception through 2009? If not, explain fully why not. If so, please identify, quantify and explain the cost overruns and budget increases that have been incurred for the HR Suite Project for which management has taken responsibility.

HECO Response:

- (a) In Decision and Order No. 23413, issued on May 3, 2007 in the HR Suite proceeding, Docket No. 2006-0003, page 25, the Commission concluded “that the Parties’ Letter Agreement, taken as a whole, is just and reasonable, and should be approved.” In addition, the Commission approved the “Applicant’s requests, as set forth in the Application and more specifically reflected and amended in the Parties’ Letter Agreement, to defer certain computer development costs of the HR Suite Project, accumulate an AFUDC on the deferred

costs during the deferral period, amortize the deferred costs over twelve years, and include the unamortized deferred costs in rate base.”

The amortization period of twelve years is consistent with the amortization period approved by the Commission for other software development projects including HECO’s Outage Management System in D&O No. 21899 filed in Docket No. 04-0131, and Customer Information System in D&O No. 21798 in Docket No. 04-0268.

- (b) A list of software and systems that the HR Suite would replace is provided in Attachment 1 of this response.
- (c) See Attachment 1.
- (d) The Companies anticipate that the software will be maintained and upgraded to retain the viability of the HR Suite software application. However, unforeseen circumstances may occur such as a change in the technology, a change in the business direction of the vendors that could affect the product and services, business failure or bankruptcy, acquisition by another vendor, or contract issues, any of which could render the HR Suite unusable.
- (e) The Oracle Self-Service Human Resources will provide employees direct access to web pages to maintain their personal information, select benefits options, designate dependents and beneficiaries, enroll in learning and training classes, manage their competency profiles, and apply for jobs. Managers will be able to perform operational processes such as generating offers to job applicants, processing terminations and participating in review and approval processes.

A list of employee and manager self-service functions is provided in Attachment 2 of this response.
- (f) The companies have not quantified any cost savings associated with the benefits of a new HR Suite including the employee self-service component. However, the companies note that

there are material benefits that are not easily quantifiable, as typical in the utility industry.

Efforts to replace the Human Resources Management System are generally not undertaken to deliver costs savings, but to meet needs that are not currently supported by the current systems. These needs include providing new system functionality necessary to support human resources requirements or to mitigate the risk technology obsolescence and system failure. The HR Suite project will improve the delivery of human resources services by providing the capability to:

1. replace multiple disparate systems and applications with an integrated system with expanded human resources functionality;
2. automate manual processes (currently handled on non-integrated Excel spreadsheets and Microsoft Access™ (“MS Access”) databases) such as compensation administration, leave management, tracking of safety equipment/apparel, and transportation type benefits;
3. replace outdated systems or manual processes and provide immediate access to information with online employee and management self-service;
4. improve efficiencies and accuracy in data maintenance and management;
5. reduce costs related to system changes as a result of new or changing legislation; and
6. improve system security and tracking.

(g) See the response to item (f) above. In addition, see the response to CA-IR-23 in Docket No. 2006-0003, filed on March 2, 2006, which is provided in Attachment 3 of this response.

(h) The monthly amounts of AFUDC and the calculation are shown on page 1 of Attachment 4 of this response. Also provided on page 2 of Attachment 4 is the calculation of the amortization of deferred costs that was included in the update to HECO T-13, Attachment 11.

- (i) This information has been reported in detail in Docket No. 2006-0003 in the Interim

Supplemental Reports dated December 14, 2007, May 27, 2008, June 27, 2008, and

December 12, 2008. In summary, a history of the total project cost increases are provided below.

Date Filed/Received	Description	Est. Total Project Cost	Explanation
January 3, 2006	Application filed – Docket No. 2006-0003	\$5,656,000	
May 3, 2007	Decision & Order No. 23413 received	\$6,341,113	Cost increase attributed to additional hardware, software, consulting services and labor hours.
December 14, 2007	HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report filed		See Attachment 5, pages 4-7.
May 27, 2008	HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report filed		See Attachment 6, pages 4-7.
June 27, 2008	HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report (Amended) filed		See Attachment 7, pages 4-7.
December 12, 2008	HECO/HELCO/MECO Human Resources Suite System Notification Letter filed		See Attachment 8, pages 5-8.

- (j) This information was provided in detail in Docket No. 2006-0003 in the Interim

Supplemental Reports dated December 14, 2007, May 27, 2008, June 27, 2008, and

December 12, 2008. In summary, a list of activities related to changes in project deadlines and delays is shown below.

Date	Activity
January 3, 2006	Application filed – Docket No. 2006-0003
May 3, 2007	Decision & Order No, 23413 received
July 2007	Project initiated. Implementation go-live targeted for June 2008
July – October 2007	Conducted software functionality review and confirmation; analysis of requirements and gaps; scope of work and project schedule with system implementer
October - November 2007	Released original system implementer from project and initiated process to select new system implementer
December 2007	Filed HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report informing the PUC of the software selection, project schedule and costs. Project implementation go-live targeted for April 2009
November 2007 – February 2008	Conducted selection of new system implementer, including issuance of RFP, presentations by and interviews of final candidate companies, evaluation and selection of new system implementer.
February – April 2008	Contract negotiations and development of Statement of Work, including preliminary analysis of required resources, project schedule, and functional and technical requirements.
May 2008	Filed HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report informing the PUC of the new system implementer and updated project costs. Project implementation go-live remained targeted for April 2009
December 2008	Filed HECO/HELCO/MECO Human Resources Suite System Notification Letter informing the PUC of the change in project schedule and costs. Project schedule implementation in two phases with phase 1 go-live targeted for April 2009 and phase 2 go-live targeted for August 2009

(k) HECO objects to this question as it is argumentative. In addition, HECO objects to this question as it is vague and ambiguous to the extent the question does not explain what “take any responsibility” means. Without waiving the foregoing objections, HECO provides the following response. In accordance with the reporting requirements in Decision and Order No. 23413 in Docket No. 2006-0003, HECO has reported on cost increases in the HR Suite Project. These reports were filed on December 14, 2007, May 27, 2008, June 27, 2008, and December 12, 2008 in Docket No. 2006-0003.

Attachments 5-8 are voluminous and available for inspection at HECO's Regulatory Affairs Division office, Suite 1301, Central Pacific Plaza, 220 South King Street, Honolulu, Hawaii. Please contact Dean Matsuura at 543-4622 to make arrangements to inspect the documents. Electronic copies of the requested information are being provided.

Hawaiian Electric Company, Inc. • P.O. BOX 2700 • Honolulu, HI 96840-0001

CONFIDENTIAL
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William A. Bonnet
Vice President
Government & Community Affairs

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Honolulu, Hawaii 96813

December 14, 2007

FILED
2007 DEC 14 P 4:03
PUBLIC UTILITIES
COMMISSION

Dear Commissioners:

Subject: Docket No. 2006-0003
HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report

In accordance with Decision and Order No. 23413 ("D&O 23413") filed May 3, 2007, in Docket No. 2006-0003, Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively the "Companies") respectfully submit the Human Resources Suite System project ("HR Suite" or "Project") interim supplemental report with the name of the contractor selected, the scope, functional requirements, and the updated cost of the HR Suite project.¹ This filing is for notification purposes pursuant to the D&O 23413, Section 1.C, page no. 13, dated May 3, 2007 and is not intended to result in any immediate regulatory action.

The Companies have selected Oracle USA Inc. ("Oracle"). Oracle will be providing consulting services relating to the installation and configuration of Oracle's Human Capital Management ("HCM" or "HR Suite") software. Oracle is the HR Suite software licensing entity. The scope of the Project and the functional requirements are discussed in the "Project Scope" and "Functionality" sections below. In addition, the Companies have updated the Project cost in the "Project Cost Estimate" section below.

Vendor Selected

As mentioned above, the Companies selected Oracle as one of the vendors for this Project. The Companies reviewed the selected application software and confirmed that the application software functions and features have been maintained from the initial analysis performed in 2005. The signed HR Suite Vendor contracts include a fixed HR Suite Vendor software license cost (██████████)² and a fixed HR Suite Vendor service cost (██████████)³.

¹ D&O 23413 required the Companies to file within thirty (30) days following the signing of a contract with the vendor (i.e. software bid awarded and contract with project vendor executed), an interim supplemental report that includes "the name of the contractor selected, the scope of the contract, functional requirements, and cost of the Project." D&O 23413 at 13 and 26. The Companies executed a contract with Oracle to purchase the software on November 15, 2007 and executed a separate services contract with Oracle on November 29, 2007 for installation of the software.

² HECO executed contract with Oracle on November 15, 2007.

³ HECO executed contract with Oracle on November 29, 2007.

The Honorable Chairman and members of the
Hawaii Public Utilities Commission
December 14, 2007
Page 2

CONFIDENTIAL
Subject To Protective Order

Oracle provides the HR Suite project with the design, configuration and installation of the application server and software within the Companies' system, and with the installation of the Human Resources Suite application.

[REDACTED]

Therefore, the Companies are still in the process of selecting a system integrator. A Request for Proposals ("RFP") was issued in November 2007 and a new system integrator will be selected in the first quarter of 2008. An interim supplement report with the name of the contractor selected, the scope, functional requirements, and the updated cost of the HR Suite project will be submitted in accordance with D&O No. 23413.

Project Scope

The project scope of the HR Suite remains the same as submitted in the Companies' application filed on January 3, 2006 in the proceeding ("Application"). However, as stated in the Companies' Application, the proposed implementation of the Project was approached in two phases, with the first phase focusing on the operational components of the system to meet the Companies' processing requirements, followed by the strategic components to facilitate process and data quality improvement.

Since the filing of the Application, the implementation of the Project has changed. Based on compliance and business requirements and functional interoperability requirements, the Project will be implemented in one phase with all modules implemented together. This will minimize the risks associated with a partial installation of the application suite. Also, as noted in the Vendor Selected section, the Companies are in the process of selecting a new system integrator for implementation services. Therefore, the Project schedule has been extended to 22 months as shown in Attachment 1 attached hereto, and incorporated herein by reference.

The proposed implementation of the Project under one-phase can be generally broken down into (1) the purchase of the hardware and software for the Project which includes the purchase of a new third party vendor HR Suite software, the purchase of the associated support system software and hardware for the system, and system integrator evaluation and selection; and (2) the HR Suite implementation and configuration process which includes software installation, requirements gap-analysis, system design, system configuration and configuration testing, system modification and modification testing, system integration and integration testing, data conversion, employee training; and (3) post-implementation support.



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Hawaii Public Utilities Commission
December 14, 2007
Page 3

In general, the Project scope includes, but is not limited to, the following major activities:

1. HR Suite Selection (Stage 1) – In progress
 - Review and confirm the functionalities and features of the selected software application, Oracle Human Resources e-Business Suite, to be more explicit and discrete in August to September 2007
 - Purchase the selected software application, Oracle HCM, in November 2007
 - Review and confirm the implementation services of the selected vendor in September to October 2007
 - Integrator vendor selection based on the Companies' due diligence efforts which are performed to mitigate the overall risk of the Project
 - Development and issuance of the RFP to potential vendors in October to November 2007
 - Scenario demonstrations of the two finalists vendor's services and staff and selection of finalist vendor in January 2008
 - Negotiations with finalist vendor, assistance from experienced consultants, input from the Companies' Subject Matter Experts, to develop, define and agree upon the following items (January – February 2008):
 - Detailed tasks, activities, labor resource requirements and responsible parties
 - Commercial terms
 - Fixed fee financial arrangements
 - Authorize contracts
2. Implementation (Stage 2) – In progress
 - Installation of the base HR Suite product by Oracle USA Inc.
 - Analysis and design of the selected application to integrate into the Companies' current system
 - Training of the Project's core team members in the HR Suite product features, functions, architecture and technology
 - Conducting solution confirmation (gap analyses) session to design the Companies' chosen path using the selected system
 - Defining and developing data conversion strategies and specifications
 - Defining interface strategies and developing system specifications
 - Construction and Testing
 - Configuring and developing HR Suite
 - Developing and testing data conversion
 - Developing and testing interfaces and interoperability with other Companies' systems
 - Conducting performance, integration and user acceptance tests
 - Developing HR Suite production additions
 - Deployment
 - Conducting end-user training
 - Conducting pre-go-live tests
 - Migrating HR Suite to production
 - Employment of new HR Suite
3. Post Implementation Support (Stage 3)
 - Support production operations



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
December 14, 2007
Page 4

CONFIDENTIAL
Subject To Protective Order

Functionality

The functional and technical requirements ("functional requirements") of the HR Suite version 11 remain the same as submitted in the Application. However, since the filing of the Application, Oracle has come out with a new version of the HR Suite application. The Companies successfully negotiated with Oracle to receive the new version 12 at the same software price as version 11.⁴

The Companies will be working with the new system integrator to further analyze and refine the application software with the functional requirements.

Project Cost Estimate

The cost estimate for the HR Suite Project was \$6,341,113 as approved in Decision and Order No. 23413 in this Docket No. 2006-0003. The cost estimate was based on completing the Project in 12 months with the technology and available software functionality at the time of the Application.

The Companies now estimate that the forecasted Project cost will be approximately \$ [REDACTED], which is \$ [REDACTED] more than the amount that was approved in Decision and Order No. 23413 in this Docket. The change in the cost of the Project is primarily attributed to the following factors:

Category	Variance	Reference
Material	+ \$ 42,324	Item #1 of Attachment 2
Labor and related On-Costs	+ \$ 1,222,823	Item #2 of Attachment 2
Outside Services	[REDACTED]	Item #3 of Attachment 2
Other	- \$ 216,256	Item #4 of Attachment 2
Allowance for Funds Used During Construction	+ \$ 70,310	Item #5 of Attachment 2

A comparative summary of the Project's total cost estimate and the current forecasted Project cost is provided in Attachment 2 attached hereto, and incorporated herein by reference.

Increase in MATERIALS costs

The increase in the Materials costs is \$42,324.

The increase in the cost of Materials is primarily attributed to the increase in the hardware costs and associated overhead costs. Based on the Companies' Information Technology and Services ("ITS") Department personnel working with the hardware vendor, and the database software vendor to define and refine the hardware and software requirements for the Oracle application, ITS determined that the technical processing and storage requirements for the Oracle version 12 application needed increased storage and processing capacity.

⁴ Oracle announced in 2007 that a new integrated software product name "Oracle Fusion" would be released in 2008. According to Oracle's application strategy, Oracle Fusion would integrate the best features of all of their Human Resources Management System applications (Oracle HR Suite, PeopleSoft, JD Edwards and Siebel) into a new architected software while enhancing and maintaining the individual product lines. Oracle is advising their HR Suite customers to upgrade to release 12 in order to position themselves for the migration to Oracle Fusion. HECO will assess the migration to Oracle Fusion within the 2010-2012 timeframe.



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
December 14, 2007
Page 5

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Subject To Protective Order

Increase in LABOR and related ON-COSTS

The increase in the Labor and On-Cost costs is \$1,222,823.

The primary reason for the increase in the labor and related on costs was due to the further refinement and evaluation of the amount of labor that would be needed to implement the Project. The estimate of labor costs was based on the potential vendors' non-binding responses to the Companies' HR Suite RFP issued in 2004 and based on the best available information at that time.

The Companies worked to further refine the scope of work, requirements gaps versus the application functionalities, resource requirements and Project schedules with the assistance from the system integrator, experienced consultants and the Companies' Subject Matter Experts. These refinements led to an understanding that the Project could not be accomplished in the original timeframe and phases as additional labor, both internal and external, was needed to accomplish the necessary work over a longer period of time.

A dedicated project director and budget analyst/administrator were assigned full-time to the project to manage the Project. Additional Subject Matter Experts were included into the Project team to address the operational processing requirements and interoperability functionalities.

Increase in OUTSIDE SERVICES costs

The increase in the cost of Outside services is primarily attributed to the following factors:

- An increase of [REDACTED] for external project management services was added for the extension to the Project schedule. As noted in the Vendor Selected and Project Scope sections, a new system integrator will be selected. The selection process and additional gap-analysis and requirements review with the new system integrator lengthened the Project schedule and increased the labor resource requirements for the Companies personnel and Outsider Services personnel.
- An increase of [REDACTED] is for the projected services of the new system integrator. The Companies worked with Xcelicor to refine the scope of work, resource requirements and costs estimates for the Project. Additional resources will be required to address the complexities of the functional requirements and interoperability of the application to other applications.
- An increase of \$89,158 is for the projected services of Mincom, Limited ("Mincom") to develop and test the integration of the Oracle HR Suite functions to the Ellipse payroll and financial functions. The Companies worked with Xcelicor and Mincom to refine the scope of work and resource requirements for the Project. Additional resources will be required to address the complexities of the functional requirements and interoperability of the Oracle HR Suite application to the Ellipse application.



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Hawaii Public Utilities Commission
December 14, 2007
Page 6

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- An increase of \$21,358 is for the projected services of Oracle to install maintenance and software fixes for the Oracle HR Suite application. Additional support will be required to address the complexities of multiple environments requested by the system integrator during the development, testing and training for the project and for the installation and support of the base application and server software.
- An increase of [REDACTED] is for the projected services of IT consultants and a database administrator to develop, maintain, administer and test the Oracle HR Suite application software and interfaces to software. Additional resources to address the complexities of the functional and technical requirements are required throughout the extended Project schedule.

An experienced, knowledgeable Oracle HR application database administrator/developer ("DBA") is required to administer, configure, maintain and test the Oracle HR Suite. The cost estimate of Outside Services in the Application and January 25, 2007 update did not include the services of a DBA. The inclusion of the DBA is a result of the recommendations from the system integrator and external consultants, and discussions with other customers of the Oracle HR application. The purpose and role of the DBA is to provide technical expertise for administration of the database and Oracle application for the Project. This is the first Oracle application software, therefore limited experienced in-house resources are available to support this Project.

- An increase of [REDACTED] is for the projected services of additional human resources and benefits consultants to address the integration and development of functional interfaces and interoperability of the Oracle HR Suite application to other applications.
- [REDACTED] is for the services of an independent third party Auditor and Quality Assurance consultant. The cost estimate of Outside Services in the Application and update did not include the services of an independent third party Auditor and QA consultant. The inclusion of the Auditor and Quality Assurance consultant is a result of recommendations of the Internal Audit and Compliance department to provide independent third party oversight of the Project and the Project staff, providing recommendations to mitigate risk for the Project.
- An increase of \$118,333 is for increased travel costs for the external project managers, system integrators and DBA.
- An increase of \$41,960 is for increased training costs for the Oracle HR Suite classes for implementation, administration and maintenance support.
- A decrease of \$65,838 in software maintenance costs is a result of the decrease in software costs as noted in the Other cost category.
- Increase in the Total Outside Services is [REDACTED]



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Hawaii Public Utilities Commission
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Page 7

Decrease in OTHER costs

The decrease in the Other costs is \$216,256.

The decrease in the cost of Other is primarily attributed to the decrease in other software.

The Companies' negotiations with Oracle resulted in acquiring the Oracle HCM software licenses within the Project cost estimate provided in the Application.

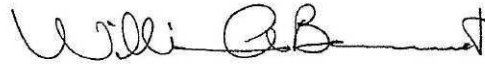
Increase in Allowance for Funds Used During Construction (AFUDC) Costs

The increase in AFUDC costs is \$70,310.

The increase in the cost of the Allowance for Funds Used During Construction is primarily due to the increase in the labor, on-cost, outside services and software costs.

If you have any questions or if you would like to meet with us, please feel free to contact Dean Matsuura at 543-4622

Sincerely,



William A. Bonnet

Attachments

cc: Division of Consumer Advocacy











Attachment 1

HR Suite Project Schedule

High Level Overview

As of November 2007

ID	Task Name	Q3 07			Q4 07			Q1 08			Q2 08			Q3 08			Q4 08			Q1 09			Q2 09
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1	Initiation & Contracting																						
2	Planning & Analysis																						
3	Design & Configuration																						
4	Build, Configure & Test																						
5	Integration & System Testing																						
6	Parallel Testing																						
7	Training																						
8	Go-Live & Transition																						

**Confidential Information Deleted
Pursuant To Protective Order, Filed on
November 21, 2008.**

DOD-IR-122
DOCKET NO. 2008-0083
ATTACHMENT 5
PAGE 9 OF 9

Page 9 of Attachment 5 contains confidential information and is provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840-0001



William A. Bonnet
Vice President
Government & Community Affairs

May 27, 2008

FILED
2008 MAY 27 P. 10
PUBLIC UTILITIES
COMMISSION

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2006-0003
HECO/HELCO/MECO Human Resources Suite System Interim Supplemental Report

In accordance with Decision and Order No. 23413 ("D&O 23413") filed May 3, 2007, in Docket No. 2006-0003, Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively the "Companies") respectfully submit the Human Resources Suite System project ("HR Suite" or "Project") interim supplemental report with the name of the contractor selected, the scope, functional requirements, and the updated cost of the HR Suite project.¹ This filing is for notification purposes pursuant to the D&O 23413 (Section 1.C, page 13), dated May 3, 2007 and is not intended to result in any immediate regulatory action.

The Companies have selected Solbourne Computer Inc. ("Solbourne") as the application system implementer. Solbourne will be providing consulting services relating to the design, configuration, product modification, system integration and implementation of Oracle USA Inc.'s ("Oracle") Human Capital Management ("HCM" or "HR Suite")² software to meet the companies requirements as described in the Companies' Request for Proposal ("RFP"). The scope of the Project and the functional requirements are discussed in the "Project Scope" and "Functionality" sections below. In addition, the Companies have updated the Project cost in the "Project Cost Estimate" section below.

Vendor Selected

As mentioned above, the Companies selected Solbourne as one of the vendors for this Project.

¹ D&O 23413 required the Companies to file within thirty (30) days following the signing of a contract with the vendor (i.e. software bid awarded and contract with project vendor executed), an interim supplemental report that includes "the name of the contractor selected, the scope of the contract, functional requirements, and cost of the Project." D&O 23413 at 13 and 26. The Companies executed a services contract with Solbourne on April 25, 2008. Thirty days from April 25, 2008 is May 25, 2008. Since May 25, 2008 is a Sunday, this report is being filed on May 27, 2008, the next business day.

² Oracle is the HR Suite software licensing entity.

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
May 27, 2008
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Subject To Protective Order

The signed HR Suite vendor contract is for a fixed HR Suite Vendor software service cost of [REDACTED].

As stated in the Companies' interim supplemental report filed with the Commission and Consumer Advocate on December 14, 2007 ("December 14, 2007 Report"), [REDACTED], a Request for Proposal for Implementation Services ("Implementation RFP") was issued in November 2007 and Solbourne was selected as the new system integrator in February 2008.

Based on the evaluation of the aggregate scores of the strengths, weaknesses and risks of the vendors, Solbourne was selected as the overall system integrator/implementer to provide Oracle application system implementation services, knowledge transfer and remote database implementation and support. Solbourne is able to provide Oracle application database support thereby minimizing the complexity, cost and risk of providing database maintenance and support by an additional third party consultant.

Project Scope

As noted in the December 14, 2007 Report, the project scope of the HR Suite remains the same as submitted in the Companies' application filed on January 3, 2006 in the proceeding ("Application"). However, as stated in the Companies' Application, the proposed implementation of the Project was approached in two phases, with the first phase focusing on the operational components of the system to meet the Companies' processing requirements, followed by the strategic components to facilitate process and data quality improvement.

Since the filing of the Application, the implementation of the Project has changed. Based on compliance and business requirements and functional interoperability requirements, the Project will be implemented in one phase with all modules implemented together. This will minimize the risks associated with a partial installation of the application suite. Also, as noted in the Vendor Selected section, the Companies selected a new system integrator for implementation services. Therefore, the Project schedule has been extended to 22 months as shown in Attachment 1 attached hereto, and incorporated herein by reference.

The proposed implementation of the Project can be generally broken down into three stages: (1) the purchase of the hardware and software for the Project, which includes the purchase of a new third party vendor HR Suite software, the purchase of the associated support system software and hardware for the system, and system integrator evaluation and selection; and (2) the HR Suite implementation and configuration process, which includes software installation, requirements gap-analysis, system design, system configuration and configuration testing, system modification and modification testing, system integration and integration testing, data conversion, employee training and deployment; and (3) post-implementation support.

In general, the Project scope includes, but is not limited to, the following major activities:

1. HR Suite Selection (Stage 1) – Completed



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
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Subject To Protective Order

- Review and confirm the functionalities and features of the selected software application, Oracle Human Resources e-Business Suite, to be more explicit and discrete in August to September 2007
 - Purchase the selected software application, Oracle HCM, in November 2007
 - Review and confirm the implementation services of the selected vendor in September to October 2007⁴
 - Integrator/implementer consultant selection based on the Companies' due diligence efforts which are performed to mitigate the overall risk of the Project
 - Development and issuance of the Implementation RFP to potential vendors in October to November 2007
 - Scenario demonstrations of the two finalists vendor's services and staff and selection of finalist vendor in January to February 2008
 - Negotiations with finalist vendor, assistance from experienced consultants, input from the Companies' Subject Matter Experts, to develop, define and agree upon the following items (January – April 2008):
 - Detailed tasks, activities, labor resource requirements and responsible parties
 - Commercial terms
 - Fixed fee financial arrangements
 - Authorize contracts
2. Implementation (Stage 2) – In progress
- Installation of the base HR Suite product by Oracle USA Inc.
 - Analysis and design of the selected application to integrate into the Companies' current system
 - Familiarizing and defining the Companies requirements to the implementation consultants
 - Familiarizing the Project's team members in the HR Suite product features, functions, architecture and technology
 - Conducting solution confirmation (gap analyses) session to design the Companies' chosen path using the selected system
 - Defining and developing data conversion strategies and specifications
 - Defining interface strategies and developing system specifications
 - Construction and Testing
 - Configuring and developing HR Suite
 - Testing the HR Suite functional modules
 - Developing and testing data conversion
 - Developing and testing interfaces and interoperability with other Companies' systems
 - Conducting performance, integration and user acceptance tests
 - Developing HR Suite production additions



The Honorable Chairman and Members of the
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May 27, 2008
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- Deployment
 - Conducting end-user training
 - Conducting pre-go-live tests
 - Migrating HR Suite to production
 - Employment of new HR Suite⁵
- 3. Post Implementation Support (Stage 3)
 - Support production operations

Functionality

The functional and technical requirements ("functional requirements") of the HR Suite version 11 remain the same as submitted in the Application. However, since the filing of the Application, Oracle has come out with a new version of the HR Suite application. The Companies successfully negotiated with Oracle to receive the new version 12 at the same software price as version 11.⁶

The Companies will be working with the new system integrator to further analyze and refine the application software with the functional requirements.

Project Cost Estimate

As stated in the Companies' December 14, 2007 Report, the Companies' estimate for the HR Suite Project was [REDACTED].⁷ This cost estimate was based on completing the Project in 22 months with associated labor and outside consulting services cost increases.⁸

The Companies now estimate that the forecasted Project cost will be approximately [REDACTED] which is [REDACTED] more than the amount estimated in the December 14, 2007 Report. In addition, the current estimate is approximately [REDACTED] above the initial project forecast of \$6,341,113. The net increase from the December 14, 2007 Report is primarily attributed to the following factors:

⁵ In-service date of the HR Suite project is targeted for April 2009.

⁶ Oracle announced in 2007 that a new integrated software product name "Oracle Fusion" would be released in 2008. According to Oracle's application strategy, Oracle Fusion would integrate the best features of all of their Human Resources Management System applications (Oracle HR Suite, PeopleSoft, JD Edwards and Siebel) into a new architected software while enhancing and maintaining the individual product lines. Oracle is advising their HR Suite customers to upgrade to release 12 in order to position themselves for the migration to Oracle Fusion. HECO will assess the migration to Oracle Fusion within the 2010-2012 timeframe.

⁷ On December 14, 2007, the Companies filed an Interim Supplemental Report with the Commission (the "December 14, 2007 Report"), which provided information regarding the selection of Oracle as one of the vendors, as well as information in regards to the cost estimate (see Attachment 2 to the December 14, 2007 Report) for the HR Suite project. The cost estimate for the HR Suite project in the December 14, 2007 Report was estimated at approximately [REDACTED], or a net increase of [REDACTED] above the approved (see D&O 23413) amount of \$6,341,113. The net increase outlined in the December 14, 2007 Report was due to 1) increased material costs; 2) higher than estimated labor and related on-costs; 3) higher than estimated outside services costs; 4) lower than estimated costs for other software; and 5) higher than estimated AFUDC costs. An explanation of the overall net increase was provided in the December 14, 2007 Report.

⁸ The cost estimate for the HR Suite Project was \$6,341,113 as approved in Decision and Order No. 23413 in this Docket No. 2006-0003. The cost estimate was based on completing the Project in 12 months with the technology and available software functionality at the time of the Application.



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
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Subject To Protective Order

Category	Variance	Reference
Material	+ \$ 16,474	Item #1 of Attachment 2
Labor and related On-Costs	- \$ 48,587	Item #2 of Attachment 2
Outside Services		Item #3 of Attachment 2
Other	+ \$ 57,708	Item #4 of Attachment 2
Allowance for Funds Used During Construction	+ \$ 63,378	Item #5 of Attachment 2

A comparative summary of the Project's total cost estimate approved in D&O 23413, in the December 14, 2007 Report and the current forecasted Project cost is provided in Attachment 2 attached hereto, and incorporated herein by reference.

1. Increase in MATERIALS costs

The increased estimate in the Materials costs from the December 14, 2007 Report is \$16,474. As noted in the December 14, 2007 Report, the original estimated material cost was \$312,308, and the December 14, 2007 Report updated cost estimate was \$354,632. The current cost estimate of \$371,106 is an increase of \$16,474 from the December 14, 2007 Report estimate and an increase of \$58,798 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of Materials is primarily attributed to the increase in the hardware costs and associated overhead costs. Based on the Companies' Information Technology and Services ("ITS") Department personnel working with the hardware vendor, and the database software vendor to define and refine the hardware and software requirements for the Oracle application, ITS determined that the technical processing and storage requirements for the Oracle version 12 application needed increased storage and processing capacity.

2. Decrease in LABOR and related ON-COSTS

The net decrease in the Labor and On-Cost costs from the December 14, 2007 Report is \$48,587. As noted in the December 14, 2007 Report, the original estimated Labor and On-cost costs was \$1,479,297, and the December 14, 2007 Report updated cost estimate was \$2,702,120. The current cost estimate of \$2,653,533 is a decrease of \$48,587 from the December 14, 2007 Report estimate and an increase of \$1,174,236 from the cost estimate approved in D&O 23413. See Attachment 2.

The primary reason for the increase in the labor and related on costs was due to the further refinement and evaluation of the amount of labor estimated to implement the Project. The estimate of labor costs was based on the potential vendors' non-binding responses to the Companies' HR Suite RFP issued in 2004 and based on the best available information at that time.

The Companies worked to further refine the scope of work, requirements gaps versus the application functionalities, resource requirements and Project schedules with the assistance from the system integrator, experienced consultants and the Companies' Subject Matter Experts.



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
May 27, 2008
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These refinements led to an increase in the number of resources assigned to assist the project and a decrease in the overhead costs due to financial and accounting refinements.

3. Increase in OUTSIDE SERVICES costs

The increase in the cost of Outside Services from the December 14, 2007 Report is [REDACTED]. As noted in the December 14, 2007 Report, the original estimate for Outside Services costs was [REDACTED], and the December 14, 2007 Report updated cost estimate was [REDACTED]. The current cost estimate of [REDACTED] is an increase of [REDACTED] from the December 14, 2007 Report estimate and an increase of [REDACTED] from the cost estimate approved in D&O 23413. See Attachment 2.

The cost increase is primarily attributed to the following factors:

- An increase of [REDACTED] is for the projected services of outside counsel to provide independent third party oversight for the Project staff, providing recommendations to mitigate risk for the Project.
- An increase of [REDACTED] is in software maintenance costs as a result of the increase in software costs as noted in the Other cost category
- A decrease of [REDACTED] for the projected services of additional human resources consultants to address the integration and development of functional interfaces and interoperability of the Oracle HR Suite application to other applications.

4. Increase in OTHER costs

The increase in the Other costs from the December 14, 2007 Report is \$57,708. As noted in the December 14, 2007 Report, the original estimated Other costs was \$1,274,167, and the December 14, 2007 Report updated cost estimate was \$1,057,911. The current cost estimate of \$1,115,619 is an increase of \$57,708 from the December 14, 2007 Report estimate and a decrease of \$158,548 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of Other is primarily attributed to the acquisition of the Oracle User Productivity Kit ("UPK") software that was recommended by the system implementer vendors in their Implementation RFP proposals, and other system software required to operate the Oracle HCM application.⁹

5. Increase in Allowance for Funds Used During Construction (AFUDC) Costs

The increase in AFUDC costs from the December 14, 2008 Report is \$63,378. As noted in the December 14, 2007 Report, the original estimated AFUDC costs was \$178,571, and the

⁹ The Companies' negotiations with Oracle resulted in acquiring the Oracle HCM software licenses within the Project cost estimate provided in the Application. Included in the contract were "price holds" for future Oracle software modules that may be acquired.



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
May 27, 2008
Page 7

December 14, 2007 Report updated cost estimate was \$248,881. The current cost estimate of \$312,259 is an increase of \$63,378 from the December 14, 2007 Report estimate and an increase of \$133,688 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of the Allowance for Funds Used During Construction is primarily due to the increase in the labor, outside services and software costs.

If you have any questions or if you would like to meet with us, please feel free to contact Dean Matsuura at 543-4622

Sincerely,



Attachments

cc: Division of Consumer Advocacy



ID	Task Name	Q4 07			Q1 08			Q2 08			Q3 08			Q4 08			Q1 09			Q2 09	
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
1	Initiation & Contracting																				
2	Planning & Analysis																				
3	Design & Configuration																				
4	Build, Configure & Test																				
5	Integration & System Testing																				
6	User Acceptance & Transition																				
7	Training																				
8	Go-Live & Post-Support																				

**Confidential Information Deleted
Pursuant To Protective Order, Filed on
November 21, 2008.**

DOD-IR-122
DOCKET NO. 2008-0083
ATTACHMENT 6
PAGES 9-23 OF 23

Pages 9-23 of Attachment 6 contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840-0001



William A. Bonnet
Vice President
Government & Community Affairs

June 27, 2008

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2006-0003
HECO/HELCO/MECO Human Resources Suite System
Interim Supplemental Report (May 27, 2008) – Amended

FILED
2008 JUN 27 P 4: 08
PUBLIC UTILITIES
COMMISSION

On May 27, 2008, in accordance with Decision and Order No. 23413 (“D&O 23413”) filed May 3, 2007, in Docket No. 2006-0003, Hawaiian Electric Company, Inc. (“HECO”), Hawaii Electric Light Company, Inc. (“HELCO”), and Maui Electric Company, Limited (“MECO”) (collectively the “Companies”) respectfully submitted the Human Resources Suite System project (“HR Suite” or “Project”) interim supplemental report with the name of the contractor selected, the scope, functional requirements, and the updated cost of the HR Suite project.¹ This filing was for notification purposes pursuant to the D&O 23413 (Section 1.C, page 13), dated May 3, 2007 and was not intended to result in any immediate regulatory action. Since the filing of the May 27, 2008 interim supplemental report (“May 27, 2008 Report”), the Companies discovered that the May 27, 2008 Report contained incorrect project costs figures. Project costs for AFUDC, labor, overhead, consulting services and software were incorrectly stated and assigned to inappropriate cost categories. In this letter the Companies have corrected these figures. Accordingly, this letter amends the May 27, 2008 Report.

As stated in the May 27, 2008 Report, the Companies have selected Solbourne Computer Inc. (“Solbourne”)² as the application system implementer. Solbourne will be providing consulting services relating to the design, configuration, product modification, system integration and implementation of Oracle USA Inc.’s (“Oracle”) Human Capital Management (“HCM” or “HR Suite”)³ software to meet the companies requirements as described in the Companies’ Request for Proposal (“RFP”). The scope of the Project and the functional requirements are discussed in the “Project Scope” and “Functionality”

¹ D&O 23413 required the Companies to file within thirty (30) days following the signing of a contract with the vendor (i.e. software bid awarded and contract with project vendor executed), an interim supplemental report that includes “the name of the contractor selected, the scope of the contract, functional requirements, and cost of the Project.” D&O 23413 at 13 and 26. The Companies executed a services contract with Solbourne on April 25, 2008. Thirty days from April 25, 2008 is May 25, 2008. Since May 25, 2008 is a Sunday, the May 27, 2008 report was timely filed on the next business day.

² On June 2, 2008 Solbourne informed the Companies that Deloitte Consulting LLP, a subsidiary of Deloitte & Touche USA LLP (“Deloitte”) will be acquiring substantially all of the assets, including current contracts, of Solbourne in an agreement signed on May 30, 2008. Transition to Deloitte is expected to be completed by July 11, 2008.

³ Oracle is the HR Suite software licensing entity.

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
June 27, 2008
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sections below. In addition, the Companies have updated the Project cost in the "Project Cost Estimate" section below.

Vendor Selected

As mentioned above, the Companies selected Solbourne as one of the vendors for this Project. The signed HR Suite vendor contract is for a fixed HR Suite Vendor software service cost of [REDACTED].

As stated in the Companies' interim supplemental report filed with the Commission and Consumer Advocate on December 14, 2007 ("December 14, 2007 Report"), [REDACTED] Subsequent to that termination, a Request for Proposal for Implementation Services ("Implementation RFP") was issued in November 2007 and Solbourne was selected as the new system integrator in February 2008.

Based on the evaluation of the aggregate scores of the strengths, weaknesses and risks of the vendors, Solbourne was selected as the overall system integrator/implementer to provide Oracle application system implementation services, knowledge transfer and remote database implementation and support. Solbourne is able to provide Oracle application database support thereby minimizing the complexity, cost and risk of providing database maintenance and support by an additional third party consultant.

Project Scope

As noted in the December 14, 2007 Report, the project scope of the HR Suite remains the same as submitted in the Companies' application filed on January 3, 2006 in the proceeding ("Application"). However, as stated in the Companies' Application, the proposed implementation of the Project was approached in two phases, with the first phase focusing on the operational components of the system to meet the Companies' processing requirements, followed by the strategic components to facilitate process and data quality improvement.

Since the filing of the Application, the implementation of the Project has changed. Based on compliance and business requirements and functional interoperability requirements, the Project will be implemented in one phase with all modules implemented together. This will minimize the risks associated with a partial installation of the application suite. Also, as noted in the Vendor Selected section, the Companies selected a new system integrator for implementation services. Therefore, the Project schedule has been extended to 22 months as shown in Attachment 1 attached hereto, and incorporated herein by reference.

The proposed implementation of the Project can be generally broken down into three stages: (1) the purchase of the hardware and software for the Project, which includes the purchase of a new third party vendor HR Suite software, the purchase of the associated support system software and hardware for the system, and system integrator evaluation and selection; and (2) the HR Suite implementation and configuration process, which includes software installation, requirements gap-analysis, system design, system configuration and configuration testing, system modification and modification testing, system

[REDACTED]

The Honorable Chairman and Members of the
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integration and integration testing, data conversion, employee training and deployment; and (3) post-implementation support.

In general, the Project scope includes, but is not limited to, the following major activities:

1. HR Suite Selection (Stage 1) – Completed
 - Review and confirm the functionalities and features of the selected software application, Oracle Human Resources e-Business Suite, to be more explicit and discrete in August to September 2007
 - Purchase the selected software application, Oracle HCM, in November 2007
 - Review and confirm the implementation services of the selected vendor in September to October 2007⁵
 - Integrator/implementer consultant selection based on the Companies' due diligence efforts which are performed to mitigate the overall risk of the Project
 - Development and issuance of the Implementation RFP to potential vendors in October to November 2007
 - Scenario demonstrations of the two finalists vendor's services and staff and selection of finalist vendor in January to February 2008
 - Negotiations with finalist vendor, assistance from experienced consultants, input from the Companies' Subject Matter Experts, to develop, define and agree upon the following items (January – April 2008):
 - Detailed tasks, activities, labor resource requirements and responsible parties
 - Commercial terms
 - Fixed fee financial arrangements
 - Authorize contracts
2. Implementation (Stage 2) – In progress
 - Installation of the base HR Suite product by Oracle USA Inc.
 - Analysis and design of the selected application to integrate into the Companies' current system
 - Familiarizing and defining the Companies requirements to the implementation consultants
 - Familiarizing the Project's team members in the HR Suite product features, functions, architecture and technology
 - Conducting solution confirmation (gap analyses) session to design the Companies' chosen path using the selected system
 - Defining and developing data conversion strategies and specifications
 - Defining interface strategies and developing system specifications
 - Construction and Testing
 - Configuring and developing HR Suite
 - Testing the HR Suite functional modules
 - Developing and testing data conversion
 - Developing and testing interfaces and interoperability with other Companies' systems

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- o Conducting performance, integration and user acceptance tests
 - o Developing HR Suite production additions
- Deployment
 - o Conducting end-user training
 - o Conducting pre-go-live tests
 - o Migrating HR Suite to production
 - o Employment of new HR Suite⁶
- 3. Post Implementation Support (Stage 3)
 - Support production operations

Functionality

The functional and technical requirements ("functional requirements") of the HR Suite version 11 remain the same as submitted in the Application. However, since the filing of the Application, Oracle has come out with a new version of the HR Suite application. The Companies successfully negotiated with Oracle to receive the new version 12 at the same software price as version 11.⁷

The Companies will be working with the new system integrator to further analyze and refine the application software with the functional requirements.

Project Cost Estimate

As stated in the Companies' December 14, 2007 Report, the Companies' estimate for the HR Suite Project was [REDACTED].⁸ This cost estimate was based on completing the Project in 22 months with associated labor and outside consulting services cost increases.⁹

The Companies now estimate that the forecasted Project cost will be approximately [REDACTED] which is [REDACTED] more than the amount estimated in the December 14, 2007 Report. In addition, the current

⁶ In-service date of the HR Suite project is targeted for April 2009.

⁷ Oracle announced in 2007 that a new integrated software product name "Oracle Fusion" would be released in 2008. According to Oracle's application strategy, Oracle Fusion would integrate the best features of all of their Human Resources Management System applications (Oracle HR Suite, PeopleSoft, JD Edwards and Siebel) into a new architected software while enhancing and maintaining the individual product lines. Oracle is advising their HR Suite customers to upgrade to release 12 in order to position themselves for the migration to Oracle Fusion. HECO will assess the migration to Oracle Fusion within the 2010-2012 timeframe.

⁸ On December 14, 2007, the Companies filed an Interim Supplemental Report with the Commission (the "December 14, 2007 Report"), which provided information regarding the selection of Oracle as one of the vendors, as well as information in regards to the cost estimate (see Attachment 2 to the December 14, 2007 Report) for the HR Suite project. The cost estimate for the HR Suite project in the December 14, 2007 Report was estimated at approximately [REDACTED], or a net increase of [REDACTED] above the approved (see D&O 23413) amount of \$6,341,113. The net increase outlined in the December 14, 2007 Report was due to 1) increased material costs; 2) higher than estimated labor and related on-costs; 3) higher than estimated outside services costs; 4) lower than estimated costs for other software; and 5) higher than estimated AFUDC costs. An explanation of the overall net increase was provided in the December 14, 2007 Report.

⁹ The cost estimate for the HR Suite Project was \$6,341,113 as approved in Decision and Order No. 23413 in this Docket No. 2006-0003. The cost estimate was based on completing the Project in 12 months with the technology and available software functionality at the time of the Application.

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estimate is approximately [REDACTED] above the initial project forecast of \$6,341,113. The net increase from the December 14, 2007 Report is primarily attributed to the following factors:

Category	Variance	Reference
Material	+ \$ 16,474	Item #1 of Attachment 2
Labor and related On-Costs	- \$ 18,487	Item #2 of Attachment 2
Outside Services	[REDACTED]	Item #3 of Attachment 2
Other	+ \$ 48,438	Item #4 of Attachment 2
Allowance for Funds Used During Construction	+ \$ 6,519	Item #5 of Attachment 2

A comparative summary of the Project's total cost estimate approved in D&O 23413, in the December 14, 2007 Report and the current forecasted Project cost is provided in Attachment 2 attached hereto, and incorporated herein by reference.

The decrease in the total project costs as compared to the interim supplement report submitted on May 27, 2008 is attributed mainly to the change in AFUDC, labor and related On-Costs. Other changes are attributed to refinements in the estimates for consulting, software and related overhead costs.

1. Increase in MATERIALS costs

The increased estimate in the Materials costs from the December 14, 2007 Report is \$16,474. As noted in the December 14, 2007 Report, the original estimated material cost was \$312,308, and the December 14, 2007 Report updated cost estimate was \$354,632. The current cost estimate of \$371,106 is an increase of \$16,474 from the December 14, 2007 Report estimate and an increase of \$58,798 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of Materials is primarily attributed to the increase in the hardware costs and associated overhead costs. Based on the Companies' Information Technology and Services ("ITS") Department personnel working with the hardware vendor, and the database software vendor to define and refine the hardware and software requirements for the Oracle application, ITS determined that the technical processing and storage requirements for the Oracle version 12 application needed increased storage and processing capacity.

2. Decrease in LABOR and related ON-COSTS

The net decrease in the Labor and On-Cost costs from the December 14, 2007 Report is \$18,487. As noted in the December 14, 2007 Report, the original estimated Labor and On-cost costs was \$1,479,297, and the December 14, 2007 Report updated cost estimate was \$2,702,120. The current cost estimate of \$2,683,633 is a decrease of \$18,487 from the December 14, 2007 Report estimate and an increase of \$1,204,336 from the cost estimate approved in D&O 23413. See Attachment 2.

The primary reason for the increase in the labor and related on costs was due to the further refinement and evaluation of the amount of labor estimated to implement the Project. The estimate of labor costs was based on the potential vendors' non-binding responses to the

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Companies' HR Suite RFP issued in 2004 and based on the best available information at that time.

The Companies worked to further refine the scope of work, requirements gaps versus the application functionalities, resource requirements and Project schedules with the assistance from the system integrator, experienced consultants and the Companies' Subject Matter Experts. These refinements led to an increase in the number of resources assigned to assist the project and a decrease in the overhead costs due to financial and accounting refinements.

3. Increase in OUTSIDE SERVICES costs

The increase in the cost of Outside Services from the December 14, 2007 Report is [REDACTED]. As noted in the December 14, 2007 Report, the original estimate for Outside Services costs was [REDACTED], and the December 14, 2007 Report updated cost estimate was [REDACTED]. The current cost estimate of [REDACTED] is an increase of [REDACTED] from the December 14, 2007 Report estimate and an increase of [REDACTED] from the cost estimate approved in D&O 23413. See Attachment 2.

The cost increase is primarily attributed to the following factors:

- An increase of [REDACTED] is for the projected services of outside counsel to provide independent third party oversight for the Project staff, providing recommendations to mitigate risk for the Project.
- An increase of [REDACTED] is in software maintenance costs as a result of the increase in software costs as noted in the Other cost category
- A decrease of [REDACTED] for the projected services of additional human resources consultants to address the integration and development of functional interfaces and interoperability of the Oracle HR Suite application to other applications.

4. Increase in OTHER costs

The increase in the Other costs from the December 14, 2007 Report is \$48,438. As noted in the December 14, 2007 Report, the original estimated Other costs was \$1,274,167, and the December 14, 2007 Report updated cost estimate was \$1,057,911. The current cost estimate of \$1,106,349 is an increase of \$48,438 from the December 14, 2007 Report estimate and a decrease of \$167,818 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of Other is primarily attributed to the acquisition of the Oracle User Productivity Kit ("UPK") software that was recommended by the system implementer vendors in their Implementation RFP proposals, and other system software required to operate the Oracle HCM application.¹⁰

¹⁰ The Companies' negotiations with Oracle resulted in acquiring the Oracle HCM software licenses within the Project cost estimate provided in the Application. Included in the contract were "price holds" for future Oracle software modules that may be acquired.

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5. Increase in Allowance for Funds Used During Construction (AFUDC) Costs

The increase in AFUDC costs from the December 14, 2008 Report is \$6,519. As noted in the December 14, 2007 Report, the original estimated AFUDC costs was \$178,571, and the December 14, 2007 Report updated cost estimate was \$248,881. The current cost estimate of \$255,400 is an increase of \$6,519 from the December 14, 2007 Report estimate and an increase of \$76,829 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of the Allowance for Funds Used During Construction is primarily due to the increase in the labor, outside services and software costs.

If you have any questions or if you would like to meet with us, please feel free to contact Dean Matsuura at 543-4622

Sincerely,



Attachments

cc: Division of Consumer Advocacy



ID	Task Name	Q4 07			Q1 08			Q2 08			Q3 08			Q4 08			Q1 09			Q2 09	
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
1	Initiation & Contracting																				
2	Planning & Analysis																				
3	Design & Configuration																				
4	Build, Configure & Test																				
5	Integration & System Testing																				
6	User Acceptance & Transition																				
7	Training																				
8	Go-Live & Post-Support																				

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November 21, 2008.**

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DOCKET NO. 2008-0083
ATTACHMENT 7
PAGES 9-23 OF 23

Pages 9-23 of Attachment 7 contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.

Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840

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Subject To Protective Order



December 12, 2008

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2006-0003
HECO/HELCO/MECO Human Resources Suite System Notification Letter

In accordance with Decision and Order No. 23413 ("D&O 23413") filed May 3, 2007, in Docket No. 2006-0003, Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively the "Companies") respectfully submit the Human Resources Suite System project ("HR Suite" or "Project") interim supplemental report with the updated schedule and cost of the HR Suite project.¹ This filing is for notification purposes pursuant to the D&O 23413 (Section 1.C, page 13), dated May 3, 2007 and is not intended to result in any immediate regulatory action.

Since the D&O 23413 filed on May 3, 2007, interim supplemental reports have been submitted for the Project as follows:

- 1) December 13, 2007 – Software vendor selection and Project cost update
- 2) May 27, 2008 – Application system implementer selection and Project cost update
- 3) June 27, 2008 – Correction to May 27, 2008 Project cost update

Since the filing of the June 27, 2008 interim supplemental report (May 27, 2008) – amended ("June 27, 2008 Report"), the hardware and disk storage requirements have increased, consulting services hours for interface development have increased and the project schedule has changed resulting in an increase in total project cost of [REDACTED] which is a [REDACTED] increase over the previous June 27, 2008 Report. The scope of the Project and the functional requirements remain the same and are discussed in the "Project Scope" and "Functionality" sections below. The increase in Project costs are discussed in the "Project Cost Estimate" section below.

¹ D&O 23413 required the Companies to file notification letters with the Commission and the Consumer Advocate if and when there is a significant change in either the functionality or cost of the Project, from the baseline functionality or cost resulting from the gap fit analysis which will be conducted by the Companies following project initiation. The term "significant" is defined as an increase or decrease in functionality beyond the functionality identified as a result of the gap fit analysis or an increase or decrease in projected cost of the Project (as stated in the Application or most recent estimate of the Project cost) of over five percent (5%). The Project cost has increased by [REDACTED] since the June 27, 2008 interim supplemental report (May 27, 2008) – amended.

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Project Scope

As noted in the June 27, 2008 Report, the project scope of the HR Suite remains the same as submitted in the Companies' application filed on January 3, 2006 in the proceeding ("Application"). As stated in the June 27, 2008 Report, the proposed implementation of the Project was approached in one phase, with all modules implemented together.

Since the filing of the June 27, 2008 Report, the implementation of the Project has changed. Based on functional interoperability requirements discovered during detailed technical analysis and design with integration consultants, Mincom, Inc, and Deloitte Consulting, LLP², the Project will be implemented in two phases, with the first phase focusing on the foundational components of the system, human resources, benefits administration and compensation; followed by the operational components, such as leave management administration, recruitment administration, training administration, and employee self-service, in the second phase. This will optimize the HR Suite Project resources, promote knowledge transfer to all employees, and allow phase-in of application operational features thereby minimizing the risks associated with multiple operational implementations. The two-phased implementation approach has extended the project schedule from 22 months to 26 months as shown in Attachment 1 attached hereto, and incorporated herein by reference.

The revised two-phase implementation of the Project can be generally broken down into three stages in the first phase: (1) the purchase of the hardware and software for the Project, which includes the purchase of a new third party vendor HR Suite software, the purchase of the associated support system software and hardware for the system, and system integrator evaluation and selection; and (2) the HR Suite implementation and configuration process, which includes software installation, requirements gap-analysis, system design, system configuration and configuration testing, system modification and modification testing, system integration and integration testing, data conversion, employee training and deployment; and (3) post-implementation support; and two stages³ in the second phase: (1) continued HR Suite implementation and configuration for operational components, which includes system design, system configuration and configuration testing, system modification and modification testing, system integration and integration testing, data conversion, employee training and deployment; and (2) post-implementation support.

In general, the Project scope includes, but is not limited to, the following major activities:

1. HR Suite Selection (Phase 1, Stage 1) – Completed
 - Review and confirm the functionalities and features of the selected software application, Oracle Human Resources e-Business Suite, to be more explicit and discrete in August to September 2007
 - Purchase the selected software application, Oracle HCM, in November 2007

² On June 2, 2008 Solbourne Computer Inc. informed the Companies that Deloitte Consulting LLP, a subsidiary of Deloitte & Touche USA LLP ("Deloitte") will be acquiring substantially all of the assets, including current contracts, of Solbourne in an agreement signed on May 30, 2008. The transition to Deloitte was completed on July 17, 2008.

³ In Phase 2 there are only two stages versus three stages in Phase 1. To adhere to accounting and financial categorizations of activities and to maintain a consistency between the stage names in each phase, the Phase 2 stages will start with "Stage 2" which includes continued configuration, modification and testing. All "Stage 1" activities such as software selection and consultant selection for development/installation of selected product have been completed in Phase 1.



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- Review and confirm the implementation services of the selected vendor in September to October 2007⁴
 - Integrator/implementer consultant selection based on the Companies' due diligence efforts which are performed to mitigate the overall risk of the Project
 - Development and issuance of the Implementation RFP to potential vendors in October to November 2007
 - Scenario demonstrations of the two finalists vendor's services and staff and selection of finalist vendor in January to February 2008
 - Negotiations with finalist vendor, assistance from experienced consultants, input from the Companies' Subject Matter Experts, to develop, define and agree upon the following items (January – April 2008):
 - Detailed tasks, activities, labor resource requirements and responsible parties
 - Commercial terms
 - Fixed fee financial arrangements
 - Authorize contracts
2. Implementation (Phase 1, Stage 2) – In progress
- Installation of the base HR Suite product by Oracle USA Inc.
 - Analysis and design of the selected application to integrate into the Companies' current system
 - Familiarizing and defining the Companies requirements to the implementation consultants
 - Familiarizing the Project's team members in the HR Suite product features, functions, architecture and technology
 - Conducting solution confirmation (gap analyses) sessions to design the Companies' chosen path using the selected system
 - Defining and developing data conversion strategies and specifications
 - Defining interface strategies and developing system specifications
 - Construction and Testing
 - Configuring and developing HR Suite
 - Testing the HR Suite functional modules
 - Developing and testing data conversion
 - Developing and testing interfaces and interoperability with other Companies' systems
 - Conducting performance, integration and user acceptance tests
 - Developing HR Suite production additions
 - Deployment
 - Conducting end-user training
 - Conducting pre-go-live tests
 - Migrating HR Suite to production
 - Employment of new HR Suite⁵

⁴

⁵

In-service date of the HR Suite project is targeted for April 2009 for Phase 1 and August 2009 for Phase 2



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Page 4

3. Post Implementation Support (Phase 1, Stage 3)
 - Support production operations
4. Implementation (Phase 2, Stage 2)⁶
 - Analysis and design of the selected application to integrate into the Companies' current system
 - Familiarizing and defining the Companies requirements to the implementation consultants
 - Familiarizing the Project's team members in the HR Suite product features, functions, architecture and technology
 - Conducting solution confirmation (gap analyses) sessions to design the Companies' chosen path using the selected system
 - Defining and developing data conversion strategies and specifications
 - Defining interface strategies and developing system specifications
 - Construction and Testing
 - Configuring and developing HR Suite
 - Testing the HR Suite functional modules
 - Developing and testing data conversion
 - Developing and testing interfaces and interoperability with other Companies' systems
 - Conducting performance, integration and user acceptance tests
 - Developing HR Suite production additions
 - Deployment
 - Conducting end-user training
 - Conducting pre-go-live tests
 - Migrating HR Suite to production
 - Employment of new HR Suite⁷
5. Post Implementation Support (Phase 2, Stage 3)
 - Support production operations

Functionality

The functional and technical requirements ("functional requirements") of the HR Suite version 11 remain the same as submitted in the Application. However, since the filing of the Application, Oracle has come out with a new version of the HR Suite application. The Companies successfully negotiated with Oracle to receive the new version 12 at the same software price as version 11.⁸

⁶ In Phase 2 there are only two stages versus three stages in Phase 1. To adhere to accounting and financial categorizations of activities and to maintain a consistency between the stage names in each phase, the Phase 2 stages will start with "Stage 2" which includes continued configuration, modification and testing. All "Stage 1" activities such as software selection and consultant selection for development/installation of selected product have been completed in Phase 1.

⁷ In-service date of the HR Suite project is targeted for April 2009 for Phase 1 and August 2009 for Phase 2

⁸ Oracle announced in 2007 that a new integrated software product name "Oracle Fusion" would be released in 2008. According to Oracle's application strategy, Oracle Fusion would integrate the best features of all of their Human Resources Management System applications (Oracle HR Suite, PeopleSoft, JD Edwards and Siebel) into a new architected software while enhancing and maintaining the individual product lines. Oracle is advising their HR Suite customers to upgrade to release 12 in order to position themselves for the migration to Oracle Fusion. HECO will assess the migration to Oracle Fusion within the 2010-2012 timeframe.



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The Companies are working with the system integrator, Deloitte Consulting LLP ("Deloitte"), to further analyze, refine and build the application software with the functional requirements.

Project Cost Estimate

As stated in the Companies' June 27, 2008 Report, the Companies' estimate for the HR Suite Project was [REDACTED].⁹ This cost estimate was based on completing the Project in 22 months with associated hardware and outside consulting services cost increases.¹⁰

The Companies now estimate that the Project schedule will be extended to 26 months. A comparative summary of the Project's total cost estimate approved in D&O 23413, in the June 27, 2008 Report and the current forecasted Project cost is provided in Attachment 2 attached hereto, and incorporated herein by reference. The updated estimated Project cost is approximately [REDACTED] which is [REDACTED] more than the amount estimated in the June 27, 2008 Report and the current estimate is approximately [REDACTED] above the initial project forecast of \$6,341,113. The net increase from the June 27, 2008 Report is primarily attributed to the following factors:

Category	Variance	Reference
Material	+ \$ 250,261	Item #1 of Attachment 2
Labor and related On-Costs	- \$ 33,840	Item #2 of Attachment 2
Outside Services	[REDACTED]	Item #3 of Attachment 2
Other	+ \$ 25,208	Item #4 of Attachment 2
Allowance for Funds Used During Construction	+ \$ 3,964	Item #5 of Attachment 2

1. Increase in MATERIAL costs

The increased estimate in the Materials costs from the June 27, 2008 Report is \$250,261. As noted in the June 27, 2008 Report, the original estimated material cost was \$312,308, and the June 27, 2008 Report updated cost estimate was \$371,106. The current cost estimate of \$621,367 is an increase of \$250,261 from the June 27, 2008 Report estimate and an increase of \$309,059 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of Materials is primarily attributed to the increase in the hardware costs and associated overhead costs. Based on the Companies' Information Technology and Services ("ITS") Department personnel working with the hardware vendor, the database software vendor

⁹ On June 27 2008, the Companies filed an Interim Supplemental Report (May 27, 2008) – Amended with the Commission (the "June 27, 2008 Report"), which provided information regarding the selection of Solbourne Computers as the application system implementer, as well as information in regards to the cost estimate (see Attachment 2 to the June 27, 2008 Report) for the HR Suite project. The cost estimate for the HR Suite project in the June 27, 2008 Report was estimated at approximately [REDACTED], or a net increase of [REDACTED] above the approved (see D&O 23413) amount of \$6,341,113. The net increase outlined in the June 27, 2008 Report was due to 1) increased material costs; 2) lower than estimated labor and related on-costs; 3) higher than estimated outside services costs; 4) higher than estimated costs for other software; and 5) higher than estimated AFUDC costs. An explanation of the overall net increase was provided in the June 27, 2008 Report.

¹⁰ The cost estimate for the HR Suite Project was \$6,341,113 as approved in Decision and Order No. 23413 in this Docket No. 2006-0003. The cost estimate was based on completing the Project in 12 months with the technology and available software functionality at the time of the Application.



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and the database technical consultants to define and refine the hardware and software requirements for the Oracle application, ITS determined that the technical processing and storage and security requirements for the Oracle version 12 application needed increased storage and processing capacity.

2. Decrease in LABOR and related ON-COSTS

The net decrease in the Labor and On-Cost costs from the June 27, 2008 Report is \$33,840. As noted in the June 27, 2008 Report, the estimated Labor and On-cost costs was \$2,683,633, and the December 14, 2007 Report updated cost estimate was \$2,702,120. The current cost estimate of \$2,649,793 is a decrease of \$33,840 from the June 27, 2008 Report estimate and an increase of \$1,170,496 from the cost estimate approved in D&O 23413. See Attachment 2.

The primary reason for the decrease in the labor and related on costs was due to the further refinement and evaluation of the amount of labor estimated to implement the Project. The previous estimate of labor costs was based on the potential vendors' non-binding responses to the Companies' HR Suite Implementer RFP issued in 2007, and based on the best available information at that time.

The Companies worked to further refine the scope of work, requirements gaps versus the application functionalities, resource requirements and Project schedules with the assistance from the system integrator, experienced consultants and the Companies' Subject Matter Experts. These refinements led to a decrease in the number hours for the resources assigned to assist the project and a decrease in the overhead costs due to financial and accounting refinements.

3. Increase in OUTSIDE SERVICES costs

The increase in the cost of Outside Services from the June 27, 2008 Report is [REDACTED]. As noted in the June 27, 2008, the estimate for Outside Services costs was [REDACTED] and the December 14, 2007 Report updated cost estimate was [REDACTED]. The current cost estimate of [REDACTED] is an increase of [REDACTED] from the June 27, 2008 Report estimate and an increase of [REDACTED] from the cost estimate approved in D&O 23413. See Attachment 2.

The cost increase is primarily attributed to the following factors:

- An increase of [REDACTED] is for the projected services of [REDACTED] to develop and test the integration of the Oracle HR Suite function to the Ellipse payroll and financial functions and for the extension to the Project schedule. The Companies worked with [REDACTED] to refine the scope of work and resource requirements and to develop the technical requirements for the Project. Additional technical resources will be required to address the complexities of the functional requirements and interoperability of the Oracle HR Suite application to the Ellipse applications.



The Honorable Chairman and Members of the
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- An increase of [REDACTED] for the projected services of [REDACTED] to develop, test and implement the Oracle Human Capital Management ("HCM" or "HR Suite") application software and for the extension to the Project schedule. The Companies worked with Deloitte to further refine the scope of work and technical requirements for the Project and develop the revised Project schedule.
- An increase of [REDACTED] for the external independent third party [REDACTED] to provide recommendations to mitigate risk for the Project was added for the extension to the Project schedule.
- An increase of [REDACTED] for the projected services of [REDACTED] to install maintenance and software fixes for the Oracle HR Suite application. Additional support will be required to address the complexities of multiple environments requested by the system integrator during the development, testing and training for the project and for the installation and support of the base application and server software.
- An increase of [REDACTED] is for increased travel costs for the HELCO and MECO project team members to participate in the development of functional requirements, build and testing of the Oracle HR Suite application.
- A decrease of [REDACTED] for the projected services of IT technical consultants and a database administrator to address the integration and development of functional interfaces and interoperability of the Oracle HR Suite application to other applications, the conversion of data into the Oracle HR Suite application, and the administration and maintenance of the Oracle HR application database. .

4. Increase in OTHER costs

The increase in the Other costs from the June 27, 2008 Report is \$25,208. As noted in the June 27, 2008 Report, the original estimated Other costs was \$1,274,167, and the June 27, 2008 Report updated cost estimate was \$1,106,349. The current cost estimate of \$1,131,557 is an increase of \$25,208 from the June 27, 2008 Report estimate and a decrease of \$142,610 from the cost estimate approved in D&O 23413. See Attachment 2.

The increase in the cost of Other is primarily attributed to the on-cost charges applied to the software acquisition.

5. Increase in Allowance for Funds Used During Construction (AFUDC) Costs

The increase in AFUDC costs from the June 27, 2008 Report is \$3,964. As noted in the June 27, 2008 Report, the original estimated AFUDC costs was \$178,571, and the June 27, 2008 Report updated cost estimate was \$255,400. The current cost estimate of \$259,364 is an increase of \$3,964 from the June 27, 2008 Report estimate and an increase of \$80,793 from the cost estimate approved in D&O 23413. See Attachment 2.



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Hawaii Public Utilities Commission
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The increase in the cost of the Allowance for Funds Used During Construction is primarily due to the increase in the labor, outside services and software costs.

If you have any questions or if you would like to meet with us, please feel free to contact Dean Matsuura at 543-4622

Sincerely,



Darcy Edo-Omoto
Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Limited

Attachments

cc: Division of Consumer Advocacy



Two Phases
As of December 2008

ID	Task Name	Q3 07			Q4 07			Q1 08			Q2 08			Q3 08			Q4 08			Q1 09			Q2 09			Q3 09		
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Phase 1																											
2	Initiation & Contracting																											
3	Planning & Analysis																											
4	Build, Configure & Unit Test																											
5	Integration & System Testing																											
6	User Acceptance, Transition																											
7	Training																											
8	Go-Live & Post-Support																											
9	Phase 2																											
10	Build, Configure & Unit Test																											
11	Integration & System Testing																											
12	User Acceptance, Transition																											
13	Training																											
14	Go-Live & Post-Support																											

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ATTACHMENT 8
PAGES 10-29 OF 29

Pages 10-29 of Attachment 8 contain confidential information and are provided subject to
the Protective Order filed on November 21, 2008 in this proceeding.